Latest Earnings Per Share	1981 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ 1.65	48.5%	$ 63.0	$ 15.0	23.8%	$ 84.5	17.8%	12/31/81
5.36	57.8	116.8	5.8	5.0	16.5	35.2	12/31/81
1.76	6.5	17.6	1.9	10.8	8.7	21.5	5/27/81
3.09	26.9	1,237.1	100.4	8.1	679.4	14.8	12/31/81
3.53	31.7	554.9	119.8	21.6	720.3	16.6	12/31/81
2.51	33.9	5,399.0	407.6	8.7	2,527.9	18.5	1/3/82
.92	52.2	679.4	15.7	2.3	170.7	9.2	2/28/82
2.55	37.2	60.0	8.9	14.8	65.5	13.5	12/31/81
2.37	22.8	428.5	5.2	1.2	33.5	15.5	9/26/81
2.66	35.4	2,529.8	57.8	2.3	304.6	19.0	9/30/81
3.75	32.0	1,234.4	134.8	10.9	660.5	20.4	12/31/81
4.18[3]	21.5	1,085.2	14.8[3]	1.4	397.4	3.7	12/31/81
d1.48[8]	—	726.4	d15.3[8]	—	61.3	—	4/30/82
.74	40.5	253.5	9.9	3.9	151.2	6.5	12/31/81
2.65	60.4	310.5	30.5	9.8	161.6	18.9	12/31/81
7.16	29.1	372.0	27.7	7.4	226.4	12.2	12/31/81
.36	244.4	101.3	.7	.7	43.8	1.6	11/30/81
8.05	26.3	1,022.6	70.6	6.9	564.9	12.5	12/31/81
1.37	43.8	232.3	13.1	5.6	112.6	11.6	10/31/81
1.39	20.8	161.0	13.7	8.5	76.4	17.9	8/31/81
2.04	18.1	270.4	24.0	8.9	122.9	19.5	1/2/82
1.79	38.4	154.3	9.3	6.0	63.1	14.7	12/31/81
8.85	22.9	16,000.0	1,076.0	6.7	5,006.0	21.5	12/31/81
.97	33.0	52.4	7.8	14.9	33.3	23.4	12/31/81
2.33	38.2	504.0	53.4	10.6	218.8	24.4	12/31/81
3.60	25.8	606.9	244.6	40.3	309.7	14.5	12/31/81
1.75	54.3	16,527.0	220.3	1.3	2,455.6	9.0	1/27/82
3.14	27.4	3,480.6	48.5	1.4	238.8	20.3	1/28/82
2.79	23.7	108.4	14.8	13.7	99.5	14.9	12/31/81
3.89	36.0	302.9	16.5	5.4	88.9	18.6	12/31/81
2.96	30.7	1,224.6	77.9	6.4	369.3	29.8	12/31/81
3.58	33.5	794.1	94.5	11.9	749.7	12.6	12/31/81
3.05	42.5	569.7	30.1	5.3	191.2	15.7	12/31/81
2.24	23.7	302.9	26.8	8.8	257.1	10.4	12/31/81
4.03	15.4	769.9	25.7	3.3	175.7	14.6	12/31/81
1.90	16.6	1,878.1	99.3	5.3	435.4	22.8	9/30/81
2.01	47.3	365.7	13.5	3.7	127.9[6]	11.9[6]	6/30/82
4.07	54.1	2,471.3	111.5	4.5	656.2	17.0	12/31/81
3.71	37.7	441.2	69.6	15.8	590.1	11.8	12/31/81
5.43	11.6	324.2	20.6	6.4	127.0	16.2	12/31/81
2.02	49.5	666.6	81.2	12.2	336.0	24.2	12/31/81
3.05	22.6	931.9	40.2	4.3	158.9	25.3	12/31/81
3.69	5.2	187.6	13.8	7.4	71.0	19.4	12/31/81
8.51	20.0	8,128.8	686.2	8.4	4,183.6	16.4	12/31/81
2.77	42.6	2,823.7	50.6	1.8	208.6	24.3	7/3/82
1.93	30.0	471.7	29.8	6.3	159.8	18.5	4/30/82
2.65[3]	34.9	629.8	63.9[3]	10.1	279.0	22.9	12/31/81
3.19	29.5	189.8	16.0	8.4	91.6	17.5	12/31/81
6.80	29.4	137.2	10.1	7.4	55.8	18.1	4/30/82
3.05	54.5	486.0	33.2	6.8	288.4	11.5	6/30/82
3.85	27.3	632.8	8.1	1.3	61.0	13.3	6/26/82
6.65	30.7	884.8	76.9	8.7	455.9	16.9	12/31/81
.96	18.2	110.6	2.6	2.4	24.8	10.5	3/31/82
1.87	25.7	209.8	7.1	3.4	51.9	13.6	12/31/81
2.28	38.6	332.8	11.8	3.5	90.4	13.1	6/30/82
1.76	40.6	2,192.9	27.8	1.3	171.2	16.2	6/26/82
1.81	51.9	451.1	66.1	14.7	329.9	20.0	12/31/81
4.00	48.3	2,899.7	106.9	3.7	888.8	12.0	12/31/81
4.56	18.6	11,103.9	791.4	7.1	4,114.2	19.2	12/31/81
4.23	35.0	1,702.5	117.1	6.9	753.0	15.5	12/31/81
2.71	36.2	166.6	16.6	10.0	104.9	15.8	12/31/81
5.17	22.4	1,611.3	53.8	3.3	415.7	12.9	12/31/81
2.12	42.5	383.5	26.8	7.0	131.1	20.4	6/30/82
5.26	34.2	2,760.8	136.1	4.9	607.9	22.3	12/31/81
3.02	51.0	133.9	20.9	15.6	117.6	17.8	6/30/82
3.61	39.3	7,027.4	333.5	4.7	1,640.3	20.3	12/26/81
1.45	45.5	41.1	2.8	6.8	18.8	14.7	12/31/81
1.61	24.3	1,115.8	78.1	7.0	449.8	17.4	7/31/81
3.42	21.0	860.6	86.8	10.1	397.0	21.9	4/30/82
[illegible]	39.6	29,947.0	1,921.8	6.4	10,665.0	18.0	12/31/81
6.76	32.5	783.3	78.2	10.0	405.0	79.3	12/31/81
2.44	29.5	134.8	5.5	4.1	37.6	14.6	12/31/81
5.58	35.8	7,211.0	518.0	7.2	2,661.0	19.5	12/31/81

(continued)

Rank	Company	Where Traded	Current Indicated Dividend*	1972 Dividend	Ten-Year Dividend Growth Rate*	Recent Stock Price	Current Yield
147	Burndy Corp.	NYSE	$ .76	$ .155	16.6%	$18⅞	4.0%
148	Carnation Co.	NYSE	2.00	.43	16.6	39⅝	5.1
149	Corroon & Black Corp.	NYSE	1.80	.36	16.6	22¼	8.1
150	Pay Less Drug Stores Northwest, Inc.	NYSE	.44	.088	16.6	21	2.1
151	Anderson, Greenwood & Company	NYSE	.20	.0435	16.5	14	1.4
152	Nielsen (A.C.) Co.	OTC	1.24	.248	16.4	54⅝	[illegible]
153	United States Tobacco Co.	NYSE	2.80	.62	16.3	55½	5.0
154	American Hospital Supply Corp.	NYSE	.84	.18	16.2	41⅞	2.0
155	Lawter International, Inc.	NYSE	.72	.16	16.2	10⅝	6.8
156	Missouri Pacific Corp.	NYSE	3.60	.85	16.2	73¾	[illegible]
157	Toronto Dominion Bank	OTC	2.00	.44	16.1	32⅞	6.1
158	Oshkosh B'Gosh, Inc.	OTC	3.20	.725	16.0	60	5.3
159	Grainger (W.W.), Inc.	NYSE	1.16	.26	15.9	46⅞	2.5
160	Kennametal Inc.	NYSE	.96	.22	15.9	24⅝	3.9
161	Republic Automotive Parts, Inc.	OTC	.44	.094	15.9	9¾	4.5
162	V.F. Corp.	NYSE	2.40	.56	15.9	68¼	[illegible]
163	Heinz (H. J.) Co.	NYSE	1.60	.34	15.8	39¼	4.1
164	Pinkerton's, Inc.	OTC	3.30	.728	15.8	62	5.3
165	Union Camp Corp.	NYSE	3.00	.69	15.8	56½	5.3
166	Van Dorn Co.	NYSE	1.12	.259	15.8	15⅛	7.4
167	Gulf & Western Industries, Inc.	NYSE	.75	.175	15.7[7]	13⅜	2.8
168	Combined International Corp.	NYSE	2.00	.43	15.7	25¾	7.8
169	Long's Drug Stores, Inc.	NYSE	1.04	.23	15.6	40½	2.6
170	Rubbermaid, Inc.	NYSE	1.24	.29	15.6	49½	2.5
171	Sabine Corp.	NYSE	.40	.094	15.6	38¼	1.0
172	Universal Leaf Tobacco Co., Inc.	NYSE	1.64	.386	15.6	29⅛	5.5
173	Dayton-Hudson Corp.	NYSE	1.10	.26	15.5	52⅝	2.1
174	Standard Brands Paint Co.	NYSE	.90	.21	15.5	32⅛	2.8
175	American International Group, Inc.	OTC	.48	.1099	15.4	80¾	.6
176	Genuine Parts Co.	NYSE	1.30	.30	15.4	39⅛	3.3
177	Royal Bank of Canada	OTC	2.00	.48	15.3	23	8.7
178	Edison Brothers Stores, Inc.	NYSE	1.44	.35	15.2	26⅛	5.5
179	Flickinger (S.M.) Co., Inc.	OTC	.88	.205	15.1	25⅝	3.4
180	Southwestern Energy Company	NYSE	.52	.1275	15.1	11	4.7
181	Toledo Trustcorp., Inc.	OTC	2.30	.552	15.0	35¾	6.4
182	American Building Maintenance Inds.	NYSE	1.00	.25	14.9	28	3.6
183	Cleveland-Cliffs Iron Co.	NYSE	1.80	.45	14.9	21⅝	8.3
184	Hillenbrand Industries, Inc.	NYSE	.80	20	14.9	32¾	2.4
185	Leggett & Platt, Inc.	NYSE	.68	.17	14.9	20⅝	3.3
186	Northwestern National Life Insurance Co.	OTC	1.50	.373	14.7	27	5.6
187	American Controlled Industries	ASE	.74	.19	14.6	21¼	3.5
188	Dr. Pepper Co.	NYSE	.84	.21	14.6	15⅞	5.3
189	Willamette Industries, Inc.	OTC	1.50	.3835	14.6	25½	5.9
190	Deere & Co.	NYSE	2.00	.52	14.4	27½	7.3
191	Media General Inc.	ASE	1.00	.26	14.4	44¼	2.3
192	Thomas & Betts Corp.	NYSE	2.12	.54	14.4	50	4.2
193	White Consolidated Industries, Inc.	NYSE	1.50	.39	14.4	27	5.6
194	Yellow Freight Systems, Inc.	OTC	.84	.219	14.4	18⅞	4.5
195	United Bancorp of Arizona	OTC	.92	.235	14.3	20	4.6
196	First Wyoming Bancorporation	ASE	.80	.207	14.2	14½	5.5
197	Morrison Inc.	OTC	.36	.093	14.2	14¼	2.5
198	Bank of Nova Scotia (Toronto, Canada)	OTC	1.84	.485	14.1	27½	6.7
199	Hartford Steam Boiler Inspection & Ins. Co.	OTC	2.80	.75	14.1	39½	7.1
200	Nevada Power Co.	NYSE	2.64	.69	14.1	26¼	10.1
201	Rainier Bancorporation	OTC	1.50	.40	14.1	24¼	6.2
202	Echlin Inc.	NYSE	.56	.15	13.9	17⅝	3.2
203	Hammermill Paper Co.	NYSE	1.84	.50	13.9	26	7.1
204	Lenox Inc.	NYSE	1.80	.49	13.9	44½	4.0
205	Lilly (Eli) & Co.	NYSE	2.675	.73	13.9	57¼	4.7
206	Marsh & McLennan Companies, Inc.	NYSE	2.20	.57	13.9	40	5.5
207	American Home Products Corp.	NYSE	2.20	.589	13.8	47⅜	4.6
208	First Ohio Bancshares, Inc.	OTC	2.20	.58	13.7	39	5.6
209	Jefferson-Pilot Corp.	NYSE	1.68	.455	13.7	32⅜	5.2
210	Schering-Plough Corp.	NYSE	1.68	.47	13.6	38	4.4
211	Trinity Industries Inc.	NYSE	.50	.14	13.6	12⅝	4.0
212	Arizona Bankwest Corp.	OTC	.80	.228	13.5	16¾	4.8
213	Becton, Dickinson & Co.	NYSE	1.10	.31	13.5	46½	2.4
214	General Mills, Inc.	NYSE	1.84	.49	13.5	48¾	3.8
215	Diamond Shamrock Corp.	NYSE	1.76	.50	13.4	20½	8.6
216	Diebold, Inc.	NYSE	.80	.23	13.3	63¾	1.3
217	Duriron Co., Inc.	OTC	.56	.16	13.3	9⅞	5.7
218	Papercraft Corp.	NYSE	.85	.245	13.2	22	3.9
219	Weis Markets, Inc.	NYSE	.76	.2133	13.2	32½	2.3

Latest Earnings Per Share	1981 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ 2.64	23.9%	$ 256.8	$ 32.8	12.8%	$ 133.4	24.6%	12/31/81
4.67	39.0	3,354.1	172.3	5.1	1,014.7	16.9	12/31/81
1.78	98.3	156.0	14.4	9.2	96.5	14.9	12/31/81
1.85	19.5	758.5	16.6	21.9	91.5	18.1	1/31/82
1.40	11.4	53.6	5.5	10.3	33.8	16.3	12/27/81
3.21	31.5	578.7	36.0	6.2	194.5	18.5	8/31/81
5.01	47.9	280.2	45.7	16.3	185.5	24.6	12/31/81
3.08	33.0	2,870.1	146.6	5.1	1,026.0	14.3	12/31/81
.87	82.8	87.6	10.0	11.4	54.3	18.4	12/31/81
12.49	29.2	2,523.8	194.3	7.7	1,047.1	18.6	12/31/81
6.38	25.5	5,190.3	255.3	4.9	1,272.3	20.1	10/31/81
9.91	28.3	47.5	3.7	7.8	15.4	24.7	12/31/81
3.95	26.8	867.3	56.3	6.5	335.4	16.8	12/31/81
2.50	38.4	389.9	30.5	7.8	224.5	8.7	6/30/82
.92	40.2	92.7	2.0	2.2	30.0	6.6	12/31/81
5.46	32.5	746.3	52.2	7.0	242.4	21.5	1/2/82
4.10	35.1	3,588.5	192.8	5.2	1,023.1	9.1	4/28/82
6.06	45.4	293.9	13.4	4.6	47.1	28.3	12/31/81
6.95	40.3	1,665.9	168.9	9.9	1,087.4	15.5	12/31/81
2.82	44.4	195.2	6.7	3.4	54.6	12.3	12/31/81
3.75	20.0	5,702.5	290.9	5.1	2,179.0	13.4	7/31/81
3.70	44.6	856.0	100.4	11.7	525.7	19.1	12/31/81
2.86	23.4	1,005.4	30.3	3.0	178.0	17.0	1/28/82
3.31	32.6	357.1	25.6	7.2	155.0	16.5	12/31/81
1.94	19.1	172.7	28.3	16.4	183.1	15.5	12/31/81
3.55	41.4	1,041.8	31.3	3.0	178.9	17.5	6/30/81
3.33[3]	30.9	4,942.9	159.5[3]	3.2	1,192.7	14.5	1/30/82
2.85	28.4	220.0	15.1	6.9	111.2	13.6	9/30/81
6.02	6.4	2,063.1	345.3	16.7	1,964.1	17.6	12/31/81
2.00	40.0	1,584.6	77.5	4.9	410.7	18.9	12/31/81
5.92	28.7	9,639.7	492.5	5.1	1,991.1	24.7	10/31/81
3.84	26.6	951.4	43.7	4.6	262.7	16.6	1/2/82
3.09	26.9	1,197.8	9.1	.8	60.6	15.0	7/25/81
1.28	27.3	54.8	11.9	21.7	45.7	26.0	12/31/81
4.67	47.1	129.0	13.6	10.5	120.1	11.3	12/31/81
2.81	30.6	272.8	6.1	2.2	46.8	13.1	10/31/81
3.66	34.0	400.7	45.2	11.3	370.9	12.2	12/31/81
2.87	25.1	367.8	28.7	7.8	168.8	17.0	11/28/81
3.14	19.1	262.6	12.0	4.6	57.1	21.0	12/31/81
4.93	27.0	612.0	34.8	5.7	180.8	19.1	12/31/81
3.59	19.5	25.7	3.4	13.2	18.5	18.3	12/31/81
1.45	53.4	364.0	22.4	6.2	123.7	18.1	12/31/81
1.88	77.7	975.6	28.6	2.9	432.4	6.6	12/31/81
3.79	51.5	5,447.0	250.0	4.6	2,450.0	10.2	10/31/81
4.41	20.9	366.5	31.6	8.6	190.7	16.6	12/31/81
4.31	43.4	268.6	33.4	12.4	177.6	18.8	12/31/81
4.34	34.1	2,172.8	62.0	2.9	476.9	13.0	12/31/81
1.16	69.0	936.2	16.5	1.8	213.9	15.5	12/31/81
3.66	21.9	99.2	8.3	8.4	42.7	21.3	12/31/82
2.24	31.7	70.3	7.8	11.1	48.6	16.3	12/31/81
1.20	26.7	366.6	15.7	4.3	101.1	15.5	5/31/82
4.83	35.2	6,548.9	133.1	2.0	1,213.4	11.0	10/31/81
5.78	44.1	210.9	20.8	9.9	150.7	13.8	12/31/81
3.46	69.8	244.7	33.9	13.9	211.2	16.0	12/31/81
4.68	29.1	666.6	43.9	6.6	313.0	14.1	12/31/81
.70	74.3	415.7	12.7	3.1	199.9	6.4	8/31/81
5.57	30.9	1,399.7	46.6	3.3	375.5	12.4	1/3/82
4.64	35.3	260.7	20.7	7.9	127.0	16.3	12/31/81
4.93	46.7	2,773.2	374.5	13.5	1,888.3	19.8	12/31/81
3.27	61.2	801.4	120.1	15.0	566.7	21.2	12/31/81
3.18	59.7	4,131.2	497.3	12.0	1,654.5	30.1	12/31/81
5.69	33.6	57.3	7.7	13.4	46.8	16.7	12/31/81
4.60	32.4	637.5	100.4	15.7	838.8	12.0	12/31/81
3.31	50.2	1,808.8	179.3	9.9	1,285.8	13.9	12/31/81
2.36	18.2	695.6	39.1	5.6	173.7	22.5	3/31/82
2.25	33.8	248.8	15.8	6.4	90.5	15.9	12/31/81
3.61	20.8	1,066.1	75.9	7.1	569.6	13.3	9/30/81
4.46	39.0	5,312.1	225.5	4.2	1,232.2	18.3	5/31/82
3.68[3]	46.2	3,376 2	230.2[3]	6.8	1,349.7	17.1	12/31/81
3.37	17.2	385.9	29.0	7.5	160.0	18.1	12/31/81
1.45	35.9	145.3	10.0	6.9	67.0	14.9	12/31/81
2.01	37.8	184.0	13.9	7.6	85.9	16.2	12/31/81
2.77	18.0	756.8	38.0	5.0	212.2	17.9	12/26/81

(continued)

TOP CORPORATE PERFORMERS

Rank	Company	Where Traded	Current Indicated Dividend[5]	1972 Dividend	Ten-Year Dividend Growth Rate[6]	Recent Stock Price	Current Yield
220	Bard (C.R.), Inc.	NYSE	$ .35	$ .1025	13.1%	$28⅛	1.2%
221	Jorgensen (Earle M.) Co.	NYSE	1.00	.293	13.1	22⅞	4.4
222	Bristol-Myers Co.	NYSE	2.10	.60	13.0	69⅜	3.0
223	Fuller (H.B.) Co.	OTC	.52	.15	13.0	21¼	2.4
224	Acme United Corp.	AMEX	.40	.116	12.9	17¼	2.3
225	Emerson Electric Co.	NYSE	2.00	.60	12.8	55¾	3.6
226	Minnesota Mining & Manufacturing Co.	NYSE	3.20	.96	12.8	75½	4.2
227	Ametek, Inc.	NYSE	1.20	.3625	12.7	30¾	3.9
228	Dun & Bradstreet Corp. (The)	NYSE	2.76	.805	12.7	89¼	3.1
229	Standard Oil Co. of California	NYSE	2.40	.725	12.7	31	7.7
230	Wallace Computer Services, Inc.	NYSE	.66	.20	12.7	39⅞	1.7
231	First Kentucky National Corp.	OTC	2.60	.738	12.6	34½	7.5
232	Riegel Textile Corp.	NYSE	1.80	.55	12.6[7]	23⅛	7.8
233	SONAT, Inc.	NYSE	1.30	.365	12.6	29¼	4.4
234	Texas Commerce Bancshares, Inc.	NYSE	1.10	.34	12.5	36¾	3.0
235	Washington R.E. Investment Trust	AMEX	1.08	.3267	12.5	14½	7.4
236	American Heritage Life Investment Corp.	NYSE	.84	.248	12.4	19¼	4.4
237	Signal Companies, Inc.	NYSE	.84	.26	12.4	20¾	4.0
238	USLIFE Corp.	NYSE	.84	.26	12.4	23	3.7
239	Central Carolina Bank & Trust Co.	OTC	1.08	.309	12.3	21½	5.0
240	Chesebrough-Pond's Inc.	NYSE	1.72	.54	12.3	38⅝	4.5
241	Sperry Corp.	NYSE	1.92	.60	12.3	24⅞	7.7
242	Albany International Corp.	NYSE	1.40	.396	12.2	28¾	4.9
243	Donnelley (R.R.) & Sons Co.	NYSE	1.42	.45	12.2	52⅛	2.7
244	Pillsbury Co.	NYSE	2.48	.73	12.2	48¾	5.1
245	Stauffer Chemical Co.	NYSE	1.44	.45	12.1	21¾	6.6
246	United States Leasing International	NYSE	.68	.197	12.1	31½	2.2
247	Independent Insurance Group, Inc.	OTC	1.32	.425	12.0	18⅛	7.3
248	Wetterau Inc.	OTC	.80	.258	12.0	15⅛	5.3
249	United Aircraft Products, Inc.	ASE	.64	.2078	11.9	20⅝	3.1
250	American Brands, Inc.	NYSE	3.50	1.145	11.8	50⅜	6.9
251	Consolidated Freightways, Inc.	NYSE	1.60	.52	11.8	49¼	3.2
252	Harsco Corporation	NYSE	1.20	.394	11.8	17⅝	6.8
253	Rochester Telephone Corp.	NYSE	2.04	.67	11.8	26¼	7.8
254	TI-Caro Inc.	NYSE	1.20	.392	11.8	17⅜	6.9
255	Coca-Cola Co. (The)	NYSE	2.48	.82	11.7	45½	5.5
256	Southtrust Corp.	OTC	1.08	.35	11.7	13½	8.0
257	Nova, An Alberta Corp.	OTC	.40	.133	11.6	7½	5.3
258	Banc One Corporation	OTC	1.80	.5899	11.5	45½	4.0
259	Florida Power & Light Co.	NYSE	3.36	1.10	11.5	37¼	9.0
260	Potlatch Corp.	NYSE	1.48	.50	11.5	29¾	5.0
261	Gorman-Rupp Co.	ASE	1.04	.353	11.4	18⅞	5.5
262	Witco Chemical Corp.	NYSE	1.80	.61	11.4	26	6.9
263	Holiday Inns, Inc.	NYSE	.80	.27	11.3	36⅝	2.2
264	Caterpiller Tractor Co.	NYSE	2.70	.93	11.2	36¾	7.3
265	Kellogg Co.	NYSE	1.50	.52	11.2	28⅞	5.2
266	Axia Incorporated	NYSE	1.15	.40	11.1	18	6.4
267	Harvey Hubbell, Inc.	ASE	1.16	.39	11.1	27⅜[2]	4.2
268	ONEOK, Inc.	NYSE	2.40	.827	11.0	26⅝	9.0
269	Richardson-Vicks Inc.	NYSE	1.48	.52	11.0	29¾	5.0
270	Stanley Works	NYSE	.76	.27	10.9	18½	4.1
271	National Presto Industries, Inc.	NYSE	1.30	.45	10.8	20¼	6.4
272	Foremost-McKesson, Inc.	NYSE	2.40	.84	10.7	42¾	5.6
273	MEM Company, Inc.	ASE	1.08	.392	10.7	13¼	8.2
274	Mountain Fuel Supply Co.	NYSE	2.60	.90	10.7	34¾	7.5
275	Vermont American Corp.	ASE	.36	.13	10.7	12¾	2.8
276	Conwood Corp.	NYSE	1.40	.475	10.6	33⅛	4.2
277	Pfizer Inc.	NYSE	1.84	.67	10.6	79¾	2.3
278	Procter & Gamble Co.	NYSE	4.20	1.53	10.6	111	3.8
279	Upjohn Co.	NYSE	2.28	.83	10.6	49	4.7
280	Quaker Oats Co.	NYSE	2.00	.69	10.4	47⅝	4.2
281	BankAmerica Corp. (Del.)	NYSE	1.52	.57	10.3	22	6.9
282	Public Service Co. of New Mexico	NYSE	2.80	1.04	10.3	26¾	10.5
283	Transamerica Corp.	NYSE	1.50	.534	10.3	23⅛	6.5
284	Chubb Corp.	OTC	2.92	1.107	10.2	51¼	5.7
285	Enserch Corp.	NYSE	1.60	.607	10.2	19¼	8.3
286	Wometco Enterprises, Inc.	NYSE	.53	.20	10.2	28½	1.9
287	Brockway, Inc.	NYSE	1.32	.48	10.1	15½	8.5
288	Moore Products Co.	OTC	.88	.33	10.1	28	3.1
289	Canadian Imperial Bank of Commerce	OTC	2.08	.80	10.0	23½	8.9
290	Continental Corp.	NYSE	2.60	1.00	10.0	29	9.0
291	Martin Marietta Corp.	NYSE	1.92	.74	10.0	41⅛	4.7
292	Barry Wright Corp.	NYSE	.40	.155	9.9	18⅞	2.1

Latest Earnings Per Share	1981 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ 2.30	20.0%	$ 329.9	$ 22.5	6.8%	$ 143.9	15.6%	12/31/81
4.47	30.1	400.5	29.1	7.3	158.6	18.3	12/31/81
4.58	38.9	3,496.7	305.8	8.7	1,564.5	19.5	12/31/81
2.97	15.5	328.7	13.6	4.1	76.0	17.9	11/30/81
1.37	25.5	40.4	3.3	8.2	16.5	19.9	12/31/81
4.26	42.7	3,429.3	273.3	8.0	1,386.4	19.7	9/30/81
5.74	52.3	6,508.0	673.0	10.3	3,449.0	19.5	12/31/81
2.44	43.0	448.1	26.5	16.9	143.4	18.5	12/31/81
4.33	52.7	1,331.0	121.5	9.1	435.6	27.9	12/31/81
6.96	31.6	45,200.0	2,380.0	5.3	12,703.0	18.7	12/31/81
2.88	20.1	166.2	12.8	7.7	69.0	18.6	7/31/81
6.11	35.7	260.0	21.1	8.1	160.9	15.0	12/31/81
4.44	40.5	455.3	16.7	3.7	145.5	11.5	10/3/81
4.24	23.9	2,629.0	173.7	6.6	991.2	17.5	12/31/81
4.60	20.0	1,517.1	137.5	9.1	654.0	21.5	12/31/81
.95	105.0	13.1	4.5	34.4	27.1	16.7	12/31/81
2.10	32.4	146.9	6.5	4.4	57.6	11.3	12/31/81
2.95	26.4	5,342.6	214.0	4.0	1,235.5	17.3	12/31/81
4.22	18.5	865.5	105.4	12.2	710.6	14.8	12/31/81
2.80	32.1	60.9	5.2	8.5	47.7	12.2	12/31/81
3.52	43.2	1,529.7	114.8	7.5	574.4	20.0	12/31/81
5.25	35.0	5,571.4	221.8	4.0	2,384.4	9.3	3/31/82
4.15	28.9	376.0	27.9	7.4	198.0	14.1	12/31/81
4.20	30.5	1,243.9	79.0	6.4	560.0	14.1	12/31/81
6.29	32.8	3,385.1	136.3	4.0	890.0	15.3	5/31/82
3.41	37.6	1,726.2	149.9	8.7	1,029.1	14.6	12/31/81
2.24	26.8	234.5	13.4	5.7	135.9	9.9	12/31/81
2.97	33.3	353.3	28.4	8.0	214.8	13.2	12/31/81
.26	300.0	1,957.2	1.9	.1	97.7	18.9	4/3/82
.82	70.7	17.8	1.3	7.3	13.0	9.8	11/30/81
6.68	48.1	6,538.2	386.1	5.9	1,899.8	20.3	12/31/81
4.81	31.0	1,143.7	63.9	5.6	464.8	13.7	12/31/81
3.15	34.3	1,158.4	61.5	5.3	390.2	15.8	12/31/81
3.40	54.1	240.4	35.2	14.6	243.8	14.4	12/31/81
3.16	36.9	271.8	17.4	6.4	113.3	15.4	10/3/81
3.62[3]	64.1	5,889.0	447.1[3]	7.6	2,270.8	21.2	12/31/81
2.74	36.5	266.8	19.6	7.3	134.4	14.9	12/31/81
.90	42.9	2,670.0	129.9	4.9	1,074.3	12.1	12/31/81
5.01	32.7	376.8	38.6	10.2	248.3	15.7	12/31/81
4.25	69.6	3,088.0	224.1	7.3	1,936.3	11.6	12/31/81
3.25	43.7	880.5	57.8	6.6	544.3	10.6	12/31/81
2.18	43.1	61.4	5.7	9.3	34.9	16.3	12/31/81
4.14	40.0	1,291.9	38.6	3.0	296.2	13.0	12/31/81
3.66	19.9	1,765.1	137.4	7.8	772.4	17.8	1/1/82
6.64	36.1	9,154.5	578.9	6.3	3,856.8	15.0	12/31/81
2.69	53.2	2,321.3	206.5	8.9	810.3	25.5	12/31/81
3.03	36.6	273.6	20.2	7.4	117.4	17.2	12/31/81
2.82	36.2	445.8	34.6	7.8	178.1	19.4	12/31/81
4.42	46.6	1,085.3	46.7	4.3	266.7	17.5	8/31/81
2.74	54.0	1,115.6	66.9	6.0	485.9	13.8	6/30/82
2.10	34.3	1,009.5	55.4	5.5	384.1	14.4	12/31/81
4.05	28.5	122.7	20.7	16.9	123.4	16.8	12/31/81
4.28[3]	52.3	4,520.8	68.6[3]	1.6	481.5	14.2	3/31/82
2.27	46.7	67.2	3.7	5.5	37.4	9.9	12/31/81
3.20	14.2	485.0	30.1	6.2	292.9	10.3	12/31/81
2.12	16.0	203.9	12.6	6.2	80.0	15.7	12/31/81
3.15[3]	37.5	169.3	17.6[3]	10.4	84.5	21.6	12/31/81
3.63[3]	44.1	3,249.7	273.7[3]	8.4	1,697.6	16.1	12/31/81
9.38	44.7	11,994.0	777.0	6.5	4,164.0	18.7	6/30/82
6.04	33.1	1,898.3	57.4	3.0	965.3	10.6	12/31/81
4.76	36.9	2,711.9	96.9	3.6	630.5	15.4	6/30/82
3.02	49.7	14,225.3	445.4	3.1	4,090.6	10.9	12/31/81
4.23	63.4	336.2	108.0	32.1	695.5	15.5	12/31/81
3.45	38.0	4,155.9	223.3	5.4	1,598.0	14.0	12/31/81
8.41	31.9	1,034.5	104.0	10.1	663.3	15.7	12/31/81
3.58	38.3	3,362.5	196.9	5.9	902.7	21.8	12/31/81
1.81	19.9	434.2	24.4	5.6	178.2	13.7	1/2/82
2.07	58.0	780.2	15.4	2.0	214.9	7.2	12/31/81
2.93	27.3	64.6	6.0	9.3	36.8	16.3	12/31/81
7.29	26.7	8,072.5	210.2	2.6	2,191.6	9.6	10/31/81
3.99	60.2	3,466.2	217.5	6.3	2,075.2	10.5	12/31/81
5.39	33.4	3,294.1	200.1	6.1	1,200.0	16.7	12/31/81
1.55	23.2	144.9	12.8	8.8	69.0	18.6	12/31/81

(continued)

Rank	Company	Where Traded	Current Indicated Dividend[5]	1972 Dividend	Ten-Year Dividend Growth Rate[6]	Recent Stock Price	Current Yield
293	McQuay-Perfex Inc.	OTC	$ .80	$ .311	9.9%	$11½	7.0%
294	Overnite Transportation Co.	NYSE	.80	.31	9.9	29⅞	2.7
295	Tucson Electric Power Co.	NYSE	1.92	.75	9.9	24¾	7.8
296	Westvaco Corp.	NYSE	1.20	.47	9.9	24⅝	4.9
297	Beatrice Foods Co.	NYSE	1.50	.58	9.8	23¼	6.5
298	CitiCorp.	NYSE	1.72	.66	9.8	34⅜	5.0
299	Interco Inc.	NYSE	2.88	1.127	9.8	49½	5.8
300	Texas Eastern Corp.	NYSE	4.10	1.55	9.8	51¾	7.9
301	Texas Gas Transmission Corp.	NYSE	2.12	.79	9.8	30½	7.0
302	Panhandle Eastern Corp.	NYSE	2.30	.91	9.7	27¼	8.4
303	Society Corp.	OTC	1.52	.60	9.7	20¼	7.5
304	TRW Inc.	NYSE	2.60	1.01	9.7	65⅝	4.0
305	ARA Services, Inc.	NYSE	2.00	.80	9.6	34¾	5.8
306	Pittsburgh National Corp.	OTC	1.92	.71	9.6	32¾	5.9
307	Winn-Dixie Stores Inc.	NYSE	2.40	.91	9.6	47½	5.1
308	Colgate-Palmolive Co.	NYSE	1.20	.485	9.5	21	5.7
309	First Alabama Bancshares, Inc.	OTC	1.68	.659	9.5	26¾	6.3
310	First National Cincinnati Corp.	OTC	2.40	.968	9.5	29	8.3
311	International Multifoods Corp.	NYSE	1.60	.62	9.5	28¼	5.7
312	Sealed Power Corp.	NYSE	1.44	.58	9.5	40	3.6
313	Banco De Ponce	OTC	1.68	.682	9.4	17	9.9
314	Hormel (Geo. A.) & Co.	ASE	.96	.39	9.4	20⅝	4.7
315	Robins (A.H.) Co., Inc.	NYSE	.56	.21	9.4	16⅞	3.3
316	Block Drug Co., Inc.	OTC	1.00	.41	9.3	19½	5.1
317	PPG Inds., Inc.	NYSE	2.36	.97	9.3	41⅞	5.6
318	CPC International Inc.	NYSE	2.10	.85	9.1	38¾	5.4
319	Houston Industries Inc.	NYSE	2.16	.907	9.1	21⅛	10.2
320	Owens-Illinois, Inc.	NYSE	1.68	.70	9.1	26	6.5
321	Seafirst Corp.	NYSE	1.44	.60	9.1	16½	8.7
322	Ameritrust Corp.	OTC	2.72	1.15	9.0[7]	34	8.5
323	Stanadyne, Inc.	OTC	1.72	.725	9.0	29	5.9
324	Centel Corp.	NYSE	2.20	.94	8.9	34¾	6.3
325	First Bankshares Corp. of South Carolina	OTC	1.60	.616	8.9	24¾	6.5
326	Amsouth Bancorporation	NYSE	1.60	.6857	8.8	21¾	7.4
327	California Water Service Co.	OTC	4.10	1.76	8.8	39½	10.4
328	Federal Realty Investment Trust	AMEX	1.08	.44	8.8	12½	8.6
329	Fifth Third Bancorp	OTC	3.20	1.40	8.6	59	5.4
330	Utah Power & Light Co.	NYSE	2.28	.98	8.6	21⅜	10.7
331	International Tel. & Tel. Corp.	NYSE	2.68	1.19	8.5	29¼	9.2
332	Northern Trust Corp.	OTC	2.72	1.20	8.5	43¼	6.3
333	Southern Union Co.	NYSE	1.56	.688	8.5	16⅝	9.4
334	Citizens Utilities Co.	OTC	3.08	1.37	8.4	39[2]	7.9
335	Northwest Bancorporation	NYSE	1.64	.73	8.4	23½	7.0
336	Reynolds (R.J.) Inds. Inc.	NYSE	2.80	1.25	8.4	54¾	5.1
337	Bell Telephone Co. of Canada	NYSE	1.96	.88	8.3	16⅞	11.6
338	Dominion Bankshares Corp.	OTC	1.00	.45	8.3	14⅞	6.7
339	Jewel Cos.	NYSE	2.48	1.087	8.3	45½	5.5
340	San Jose Water Works	ASE	2.20	.99	8.3	23⅝	9.3
341	Southern Indiana Gas & Elec. Co.	NYSE	2.08	.94	8.3	24½	8.5
342	TECO Energy Inc.	NYSE	1.88	.83	8.3	21½	8.7
343	Continental Illinois Corp.	NYSE	2.00	.91	8.2	21½	9.3
344	Deposit Guaranty Corp.	OTC	1.90	.863	8.2	25	7.6
345	Harris Bankcorp, Inc.	NYSE	2.20	1.00	8.2	31½	7.0
346	Monsanto Co.	NYSE	4.00	1.80	8.2	79⅞	5.0
347	Suburban Propane Gas Corp.	NYSE	1.60	.709	8.2	30¾	5.2
348	National Service Industries, Inc.	NYSE	1.48	.68	8.1	32½	4.6
349	Tampax Inc.	OTC	2.75	1.22	8.1	42⅝	6.5
350	Monarch Capital Corp.	OTC	1.36	.625	8.0	25¼	5.4
351	Montana-Dakota Utilities Co.	NYSE	2.24	.96	7.9	23¾	9.4
352	First Bank System, Inc.	OTC	2.64	1.248	7.8	35	7.5
353	First Capital Corp. (Jackson, Miss.)	OTC	2.30	1.11	7.6	27½	8.4
354	Grow Group Inc.	NYSE	.36	.173	7.6	7⅞	4.6
355	Parker Hannifin Corp.	NYSE	.96	.46	7.6	19¾	4.9
356	Florida Progress Corp.	NYSE	1.80	.87	7.5	18½	9.7
357	Marshall & Ilsley Corp.	OTC	1.84	.875	7.5	26¼	7.0
358	Nabisco Brands, Inc.	NYSE	2.05	.966	7.5	41⅞	4.9
359	Warner-Lambert Co.	NYSE	1.40	.68	7.5	27	5.2
360	American Tel. & Tel. Co.	NYSE	5.40	2.85	7.4	62¾	8.6
361	Continental Bancorp, Inc.	OTC	2.04	.95	7.4	27	7.6
362	Rochester Gas & Electric Corp.	NYSE	1.76	.867	7.3	16⅛	10.9
363	Texas Utilities Co.	NYSE	2.04	.99	7.3	25¼	8.1
364	Chartercorp.	OTC	1.88	.936	7.2	27	7.0
365	Northwest Natural Gas Co.	OTC	1.28	.64	7.2	11⅝	11.0

Latest Earnings Per Share	1981 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ 2.37	24.5%	$ 238.0	$ 9.7	4.1%	$ 76.5	12.7%	12/31/81
3.39[1]	23.0	289.4	22.4[1]	7.7	116.7	19.2	12/31/81
2.60[3]	66.2	350.5	63.7[3]	18.2	484.3	13.2	12/31/81
3.95	34.3	1,550.5	100.8	6.5	701.8	14.4	10/31/81
3.80	36.3	9,023.5	390.1	4.3	2,422.0	12.9	2/28/82
4.40	34.8	16,658.0	531.0	3.2	4,027.0	13.8	12/31/81
7.23	39.0	2,673.8	118.6	4.4	985.1	12.0	2/28/82
8.70	40.2	4,526.1	220.6	4.9	1,284.1	17.2	12/31/81
6.31[1]	28.2	2,649.3	130.9[1]	4.9	628.7	20.8	12/31/81
6.52	30.7	3,266.3	261.6	8.0	1,294.1	20.2	12/31/81
3.90	36.9	405.7	22.7	5.6	222.1	11.0	12/31/81
6.60	35.6	5,285.1	228.8	4.3	1,417.6	16.1	12/31/81
4.00	49.3	2,915.9	45.1	1.5	494.0	10.7	10/2/81
5.20	29.9	804.3	57.4	7.1	370.0	17.4	12/31/81
4.18	54.5	6,764.5	103.5	1.5	514.6	20.1	6/30/82
2.55	44.7	5,261.4	208.4	4.0	1,297.9	16.1	12/31/81
5.04	29.8	254.3	29.9	11.8	176.6	17.1	12/31/81
5.60	30.5	210.9	25.2	11.9	176.4	14.3	12/31/81
4.07	34.4	1,147.7	33.2	2.9	213.2	15.5	2/28/82
4.40[1]	31.1	304.2	21.3[1]	7.0	144.4	14.8	12/31/81
3.08	52.6	161.8	4.9	3.0	69.4	7.2	12/31/81
2.84	32.4	1,434.0	27.3	1.9	226.7	12.0	10/31/81
1.77	24.9	450.9	29.4	6.5	310.5	14.2	12/31/81
2.65	37.4	199.5	19.6	9.8	123.5	15.9	3/31/82
6.27	36.8	3,353.6	211.2	6.3	1,628.4	13.0	12/31/81
4.57	40.9	4,343.1	218.4	5.0	1,235.1	17.7	12/31/81
3.14	63.4	3,095.3	216.4	7.0	1,994.6	10.8	12/31/81
5.15	30.3	3,943.3	154.1	3.9	1,422.0	10.9	12/31/81
5.04[1]	26.2	1,330.0	76.8[1]	5.8	522.0	14.7	12/31/81
6.60	41.9	589.4	58.1	9.9	550.0	10.9	12/31/81
5.27	23.5	439.3	25.3	5.8	141.7	17.9	12/31/81
3.89	54.0	1,018.1	104.5	10.3	623.1	16.8	12/31/81
4.68	27.8	112.5	11.7	10.4	80.1	14.5	12/31/81
4.00	36.0	311.8	29.7	9.5	207.3	14.3	12/31/81
6.69	55.3	68.3	9.2	13.5	71.8	12.8	12/31/81
1.37	130.7	14.4	2.7	18.8	20.1	13.3	12/31/81
10.20	27.5	150.8	23.2	15.4	134.2	17.3	12/31/81
2.29	91.7	664.0	11.3	1.7	1,056.9	1.1	12/31/81
4.70[1]	55.3	17,306.2	694.6[1]	4.0	6,116.2	11.4	12/31/81
7.93	30.8	767.9	35.2	4.6	304.4	12.5	12/31/81
3.46	41.6	1,031.6	37.9	3.7	199.6	19.0	12/31/81
3.38	83.1	180.4	29.2	16.2	211.7	13.8	12/31/81
4.81	33.3	1,701.9	100.1	5.9	829.0	15.1	12/31/81
7.03	35.6	11,691.8	767.8	6.6	4,271.6	18.0	12/31/81
2.97[1]	60.6	4,035.1	550.7[1]	13.6	3,859.3	14.3	12/31/81
2.62	36.8	303.2	21.9	7.2	158.2	13.8	12/31/81
8.03	26.9	5,107.6	101.7	2.0	458.6	22.2	1/30/82
4.77	41.4	38.5	6.7	17.4	45.5	14.1	12/31/81
3.32	56.8	215.8	20.1	9.3	151.9	13.2	12/31/81
3.00	56.0	644.0	47.6	7.4	385.4	12.4	12/31/81
6.58	28.1	5,964.2	254.6	4.3	1,616.0	16.1	12/31/81
5.35	31.8	200.2	14.3	7.1	111.9	12.8	12/31/81
4.90	42.9	851.3	29.9	3.5	359.9	9.3	12/31/81
11.50	32.6	6,947.7	445.1	6.4	3,330.2	13.4	12/31/81
4.31	28.8	850.9	24.9	2.9	164.2	15.1	9/30/81
3.98	33.6	853.6	50.1	5.9	276.2	18.1	8/31/81
3.74	69.3	232.9	42.2	18.1	169.4	24.9	12/31/81
2.92	44.9	165.2	26.7	16.2	255.1	10.5	12/31/81
2.89	64.0	228.2	25.4	11.1	216.5	11.7	12/31/81
7.06	34.6	1,632.6	96.0	5.9	819.0	13.1	12/31/81
3.78	58.9	149.3	7.2	4.8	98.6	7.3	12/31/81
1.00	36.0	230.2	5.9	2.6	42.9[5]	14.5[5]	6/30/82
2.31	41.6	1,148.1	57.7	5.0	449.9	12.8	6/30/82
2.46	73.1	1,278.3	114.1	8.9	681.2	16.7	12/31/81
5.13	32.9	273.2	20.2	7.4	166.6	12.1	12/31/81
4.21	43.0	5,819.2	266.3	4.6	1,522.6	17.5	12/31/81
.12	1,116.6	3,379.9	9.2	.3	1,385.5	.7	12/31/81
8.55	62.0	58,213.8	6,888.1	11.8	56,933.1	12.1	12/31/81
5.13	37.2	253.0	22.7	9.0	130.7	17.4	12/31/81
2.84	52.5	613.5	65.7	10.7	475.6	13.8	12/31/81
3.51	52.7	2,738.4	359.4	13.1	3,022.0	11.9	12/31/81
4.89	37.2	222.3	18.5	8.3	156.4	12.0	12/31/81
1.67	74.3	359.4	16.9	4.7	152.7	11.1	12/31/81

(continued)

Rank	Company	Where Traded	Current Indicated Dividend°	1972 Dividend	Ten-Year Dividend Growth Rate°	Recent Stock Price	Current Yield
366	Federated Department Stores, Inc.	NYSE	$2.10	$1.03	7.1%	$51¾	4.1%
367	Household International, Inc.	NYSE	1.65	.83	7.1	25⅝	6.4
368	Tenneco, Inc.	NYSE	2.72	1.33	7.1	31½	8.6
369	Commerce Bancshares, Inc.	OTC	1.84	.936	7.0	31½	5.8
370	Marine Corp. (Milwaukee)	OTC	2.20	1.067	7.0	28	7.9
371	Maryland National Corp.	OTC	1.28	.92	7.0	25	5.1
372	Valley Bancorporation (Wisc.)	OTC	1.24	.63	7.0	18¼	6.8
373	Zale Corp.	NYSE	1.26	.64	7.0	22⅝	5.6
374	Huntington Bancshares, Inc.	OTC	1.48	.711	6.9	25½	5.8
375	Baybanks, Inc.	OTC	1.80	.91	6.8	29⅝	6.1
376	Consolidated Natural Gas Co.	NYSE	1.88	.975	6.8	25⅜	7.4
377	Hawaiian Electric Co.	NYSE	2.84	1.47	6.8	29⅝	9.6
378	Purolator, Inc.	NYSE	1.08	.553	6.8	33¼	3.2
379	Mid-Continent Telephone Corp.	NYSE	1.76	.92	6.7	21½	8.2
380	Northeast Bancorp, Inc.	OTC	2.40	1.259	6.7	33¾	7.1
381	Pacific Gamble Robinson Co.	OTC	1.50	.85	6.6	20⅛	7.5
382	Continental Telecom Inc.	NYSE	1.56	.83	6.5	18⅞	8.3
383	Penney (J.C.) Co., Inc.	NYSE	2.00	1.04	6.5	51⅞	3.9
384	GTE Corp.	NYSE	2.92	1.54	6.4	38½	7.6
385	Wisconsin Electric Power Co.	NYSE	1.94	1.0267	6.4	25¼	7.7
386	American Bankcorp Inc.	OTC	1.00	.543	6.3	12¾	7.8
387	Labatt (John) Limited	OTC	1.58	.82	6.3	31⅝	5.0
388	Public Service Co. of Indiana	NYSE	2.76	1.47	6.3	25¼	10.9
389	General Tire & Rubber Co.	NYSE	1.50	.82	6.2	27⅝	5.4
390	NBD Bancorp., Inc.	NYSE	2.08	1.14	6.2	28⅛	7.4
391	Turner Construction Co.	ASE	1.30	.69	6.2	20⅛	6.5
392	Missouri Public Service Co.	NYSE	1.12	.584	6.1	14	8.0
393	Belding Heminway Co., Inc.	NYSE	.36	.201	6.0	6	6.0
394	Atlanta Gas Light Co.	OTC	1.84	1.04	5.9	16⅛	11.4
395	Iowa Resources	NYSE	2.84	1.60	5.9	25⅜	11.2
396	Connecticut Natural Gas Corp.	NYSE	2.20	1.25	5.8	19¾	11.1
397	United Telecommunications, Inc.	NYSE	1.76	.98	5.8	21⅞	8.1
398	National Fuel Gas Company	NYSE	3.16	1.74	5.7	31	10.2
399	Maine Public Service Co.	ASE	2.12	1.20	5.6	22⅛	9.6
400	Washington Water Power Co.	NYSE	2.40	1.39	5.6	20¼	11.9
401	Wisconsin Public Service Corp.	NYSE	2.12	1.18	5.6	24⅝	8.6
402	Consumers Water Co. (ME)	OTC	2.08	1.22	5.5	23½	8.9
403	Ingersoll-Rand Co.	NYSE	3.56	2.08	5.5	40	8.9
404	Iowa Public Service Co.	NYSE	2.48	1.44	5.5	23⅛	10.7
405	Minnesota Power & Light Co.	NYSE	2.20	1.30	5.4	24¼	9.1
406	Kansas Power & Light Co.	NYSE	2.40	1.42	5.2	24⅜	9.8
407	Pargas, Inc.	NYSE	1.24	.722	5.2	19	6.5
408	Squibb Corporation	NYSE	1.26	.76	5.1	46¼	2.7
409	Allegheny Power Systems, Inc.	NYSE	2.40	1.40	5.0	24	10.0
410	NICOR, Inc.	NYSE	3.00	1.81	5.0	29½	10.2
411	Central & South West Corp.	NYSE	1.66	1.04	4.8	18⅛	9.2
412	Idaho Power Co.	NYSE	2.88	1.73	4.8	27¾	10.4
413	El Paso Electric Co.	OTC	1.34	.83	4.7	12½	10.7
414	Illinois Tool Work, Inc.	NYSE	1.16	.693	4.7	35¼	3.3
415	Iowa Southern Utilities Co.	OTC	2.40	1.70	4.7	27⅛	8.8
416	Columbia Gas System, Inc.	NYSE	2.86	1.82	4.6	31¼	9.2
417	Louisiana General Services, Inc.	NYSE	.45	.269	4.6	10½	4.3
418	Middle South Utilities, Inc.	NYSE	1.66	1.06	4.6	15⅛	11.0
419	Niagara Mohawk Power Corp.	NYSE	1.80	1.12	4.6	16	11.3
420	Wisconsin Power & Light Co.	NYSE	2.24	1.40	4.6	28¼	7.9
421	Atlantic City Electric Co.	NYSE	2.28	1.41	4.5	20⅝	11.1
422	IU International Corp.	NYSE	1.15	.725	4.5	16⅛	7.1
423	Washington Energy Co.	OTC	1.60	1.00	4.5	14⅝	11.0
424	Commonwealth Energy System	NYSE	1.88	1.22	4.4	16⅜	11.5
425	Diversified Energies, Inc.	NYSE	2.28	1.48	4.3	22⅝	10.1
426	Southern California Water Co.	OTC	1.48	1.01	3.9	12¼	12.1
427	Central Banking System, Inc.	OTC	.40	.273	3.8	19	2.1
428	Cleveland Electric Illuminating Co.	NYSE	2.28	1.49	3.8	19¾	11.5
429	Kansas Gas & Electric Co.	NYSE	2.12	1.49	3.6	17¾	11.9
430	Long Island Lighting Co.	NYSE	2.02	1.41	3.5	17½	11.5
431	Southwestern Elec. Service Co.	OTC	1.60	1.10	3.4	16½	9.7
432	Tootsie Roll Industries, Inc.	NYSE	.40	.2848	3.3	12¾	3.1
433	South Carolina Elec. & Gas	NYSE	1.92	1.38	3.2	18⅛	10.6
434	Louisville Gas & Electric Co.	NYSE	2.30	1.74	2.6	21¼	10.8

1. Before extraordinary item
2. Class B Shares
3. Before discontinued operations
4. Dividend is for Dart Industries

Latest Earnings Per Share	1981 Payout	Annual Sales (millions)	Net Income (millions)	Return on Sales	Stockholders' Equity (millions)	Return on Equity	Fiscal Year
$ 5.33	35.3%	$ 7,067.7	$ 258.5	3.7%	$ 1,986.1	13.0%	1/30/82
2.66	60.5	994.7	142.2	14.3	1,332.1	10.7	12/31/81
6.01	43.2	15,462.0	813.0	5.3	5,652.0	14.4	12/31/81
6.28	26.8	320.5	10.5	3.3	216.0	14.0	12/31/81
5.68	33.5	214.6	11.6	5.4	114.4	10.1	12/31/81
5.06	21.3	482.5	37.8	7.8	262.6	14.4	12/31/81
3.28	37.1	70.9	4.2	5.9	38.1	11.5	12/31/81
3.34[3]	35.6	962.0	37.4[3]	3.9	437.1	8.7	3/31/82
5.44	25.2	348.4	26.4	7.6	178.0	14.8	12/31/81
9.83	31.2	374.4	30.4	8.1	200.4	15.1	12/31/81
3.33[1]	52.6	2,738.2	135.5[1]	4.9	1,068.1	12.7	12/31/81
3.92	68.6	665.2	30.1	4.5	218.8	13.8	12/31/81
4.06	24.4	695.4	26.8	3.9	115.7	23.1	12/31/81
2.46	70.0	286.4	33.8	11.8	244.7	17.0	12/31/81
4.95	44.4	134.9	13.0	9.6	91.8	14.2	12/31/81
2.30	66.8	610.4	4.6	.8	58.1	7.9	12/31/81
2.34	62.8	1,589.7	143.9	9.1	986.8	14.6	12/31/81
5.50	33.5	11,860.0	387.0	3.3	2,933.0	13.2	1/30/82
4.33[3]	65.5	11,026.3	722.0[3]	6.5	5,153.3	14.0	12/31/81
4.39	80.1	1,152.4	106.5	9.2	850.6	12.4	12/31/81
2.54	37.6	234.3	20.3	8.7	138.2	14.7	12/31/81
4.27[1]	35.2	2,077.3	44.6[1,5]	3.4[5]	282.6[5]	15.8[5]	4/30/82
3.42	75.1	720.1	151.6	21.1	1,340.3	11.3	12/31/81
2.68	55.6	2,175.2	65.9	3.0	1,036.4	6.4	11/30/81
5.64	35.8	1,305.6	65.2	5.0	679.0	10.2	12/31/81
4.86	31.0	1,953.0	9.7	.5	39.7	24.4	12/31/81
2.31[1]	41.1	166.3	16.2[1]	9.7	124.9	13.0	12/31/81
.99	27.3	121.4	3.4	2.8	40.4	8.4	12/31/81
2.57	65.4	829.5	14.0	1.7	147.8	9.5	9/30/81
3.54	70.8	328.2	31.1	9.5	326.3	9.5	12/31/81
3.17	59.9	151.7	6.1	4.0	34.0	17.9	12/31/81
2.72[3]	60.3	2,263.4	205.8[3]	9.1	1,381.7	14.9	12/31/81
5.93	48.1	888.0	33.1	3.7	233.4	14.2	9/30/81
4.04	47.5	29.3	3.3	11.3	20.4	16.1	12/31/81
3.29	69.3	317.7	46.3	14.6	381.3	12.1	12/31/81
3.00	63.0	492.3	39.1	7.9	304.3	12.8	12/31/81
2.73	67.4	32.3	2.5	7.7	26.5	9.5	12/31/81
9.71	35.0	3,377.6	193.3	5.7	1,283.2	15.1	12/31/81
2.70	88.9	325.8	31.4	9.6	300.1	10.5	12/31/81
3.65	69.5	369.3	41.6	11.3	354.9	11.7	12/31/81
3.30	65.4	410.1	54.4	13.3	407.4	13.4	12/31/81
3.15	34.3	281.2	13.1	4.7	80.0	16.4	12/31/81
.83[1,3]	147.0	1,523.9	41.1[1,3]	2.7	1,029.6	4.0	12/31/81
3.03	66.3	1,607.5	132.5	8.2	1,329.9	10.0	12/31/81
5.51	50.8	2,115.1	123.3	5.8	850.9	14.5	12/31/81
2.84	62.2	2,006.1	229.6	11.4	1,782.5	12.9	12/31/81
3.05	64.6	299.7	48.7	16.2	455.5	10.7	12/31/81
2.23	56.1	250.4	56.7	22.6	354.0	16.0	12/31/81
3.62	29.8	455.8	44.3	9.7	286.1	15.5	12/31/81
3.36	62.6	111.9	12.4	11.1	103.3	12.0	12/31/81
5.50	49.1	4,426.2	195.5	4.4	1,383.6	14.1	12/31/81
2.52	14.7	215.0	12.6	5.9	42.9	29.4	9/30/81
2.44	66.4	2,771.8	281.5	10.2	2,520.8	13.8	12/31/81
2.35	68.5	2,150.7	220.6	10.3	1,667.9	3.2	12/31/81
3.05	66.9	454.5	40.7	9.0	314.1	13.0	12/31/81
3.03	67.3	469.7	47.0	10.0	366.7	12.8	12/31/81
2.81	39.1	2,323.2	63.1	2.7	326.3	19.3	12/31/81
2.11	68.3	317.6	10.4	3.3	92.5	11.2	9/30/81
2.22	62.9	563.9	21.3	3.8	164.7	12.9	12/31/81
3.43	61.2	518.4	16.4	3.2	124.3	13.2	12/31/81
1.60	88.8	42.8	4.1	9.6	33.1	12.3	12/31/81
2.37	15.9	117.6	7.2	6.1	45.7	15.8	12/31/81
2.52	82.5	1,012.9	155.7	15.4	1.097.3	14.2	12/31/81
2.85	72.3	313.1	66.0	21.1	537.4	12.3	12/31/81
2.55	74.5	1,664.8	247.7	14.9	2,100.4	11.8	12/31/81
2.55	56.0	37.9	1.6	4.2	14.7	11.2	12/31/81
1.27	29.9	76.0	3.3	4.3	31.1	10.6	12/31/81
2.44	73.8	759.7	82.9	10.9	579.2	14.3	12/31/81
2.71	79.7	494.0	42.2	8.5	448.7	9.4	12/31/81

5. 1980

6. Based on dividend declarations up to 11/4/82.

7. Fourth-quarter dividend not reported at press time.

8. Deficit, 1981.

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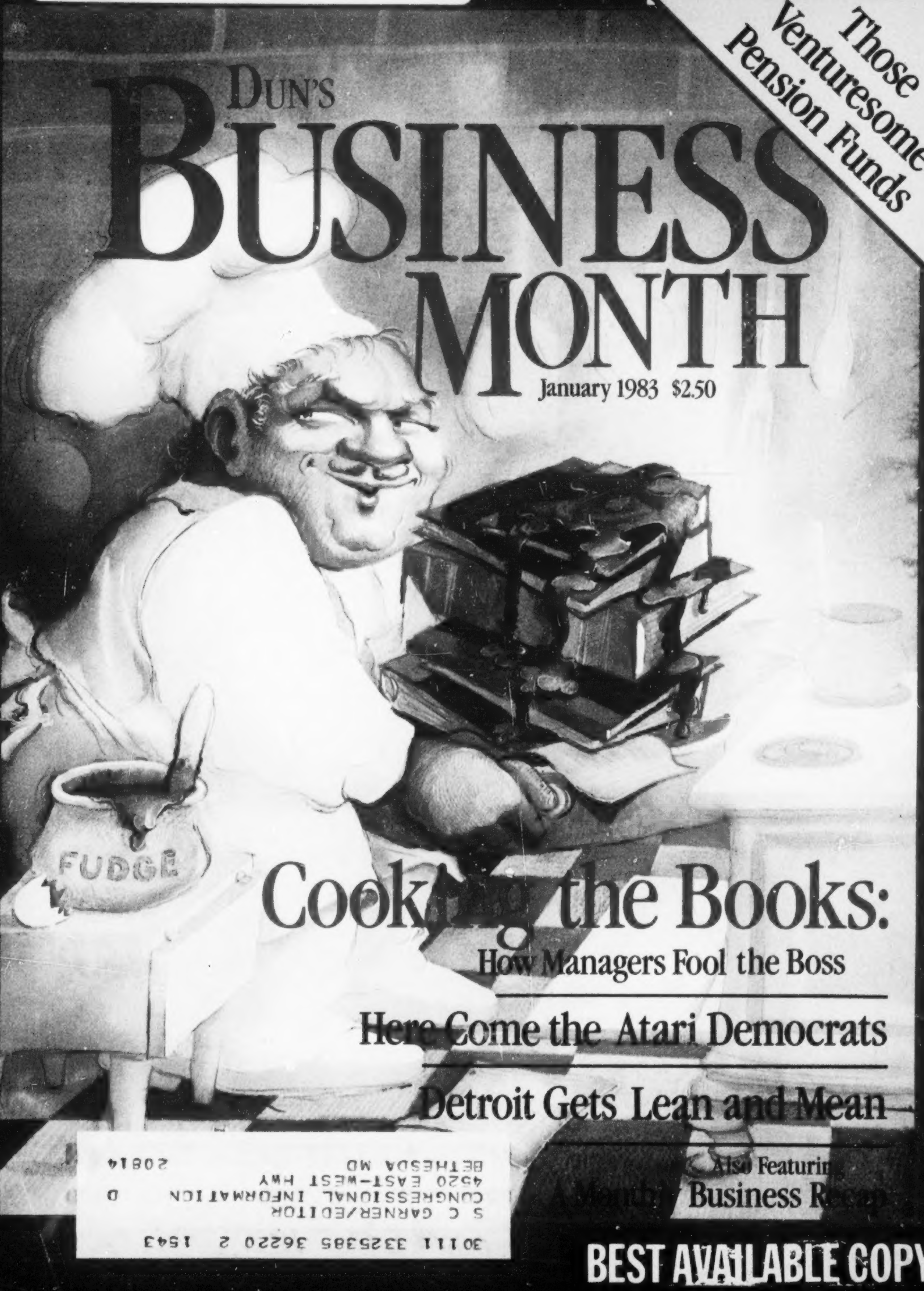
DUN'S
BUSINESS MONTH
January 1983 $2.50

Those Venturesome Pension Funds



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DUN'S
BUSINESS
MONTH

January 1983, Vol. 121, No. 1

Feature Departments

WASHINGTON

Here Come the Atari Democrats 32
A new breed of younger Democrats is shaking up liberals and labor with fresh ideas about creating wealth.

- **AARP's Capitol Clout**

MANAGEMENT

Cooking The Books 40
(Cover Story)
To meet profit goals and enhance their bonuses, many middle managers fudge the numbers and fool the boss.

ECONOMY

A National Jobs Crisis 48
With unemployment rising and resistant to fixes, economists fear that even recovery will barely make a dent in the jobless ranks.

- **Arnold R. Weber: A labor policy for the Administration**

INDUSTRIES

Detroit Gets Lean and Mean 56
Without fanfare, the U.S. carmakers have overhauled their operations and are at last ready to go head-to-head with the Japanese.

INTERNATIONAL

Siberia: Answer to Soviet Economic Woes? 60
Influential Kremlin planners are reportedly urging Andropov to get an early start on full-scale industrialization of the bleak but rich region.

MONEY & MARKETS

Venturesome Pension Funds 64
Some of the biggest corporate retirement funds are wheeling and dealing like venture capitalists. But the returns are not yet in.

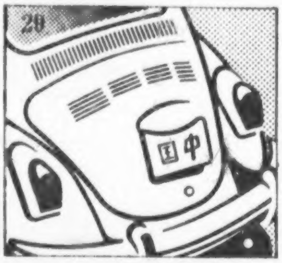
EXECUTIVE SUITE

I Took 'The Window' 69
An executive who opted for early retirement has second thoughts about his good deal.

Letters 5
Financial regulation

BizQuiz 6
Passing CEO parade

The Business Month



INTERNATIONAL

Debtors' bail-out 21
Dollar's decline
GATT's stand
Sea law squabble

WASHINGTON

Reagan's compromise 23
Trade policy turnaround?
Farm surplus feedback

ECONOMY

Lead-footed recovery 24

LABOR

Toughening unions 24

MONEY & MARKETS

Boon for banks 26
Equity sales soar
Penney's financial centers
Reserve Fund's new first

COMPANIES

AT&T details divestiture 29
Itel's settlement
VW's China deal
Dow's retreat
Braniff rescue?
Westinghouse's robots

INDUSTRIES

Video game shakeout? 30

COMMUNICATIONS

Broadcast code setback 30

CITIES & STATES

Rockefeller Center for sale 31
Chicago snares the Fair

Managing Information 73
Boom in portable computers

The Managers 77
A gallery of the month's newsmaking executives

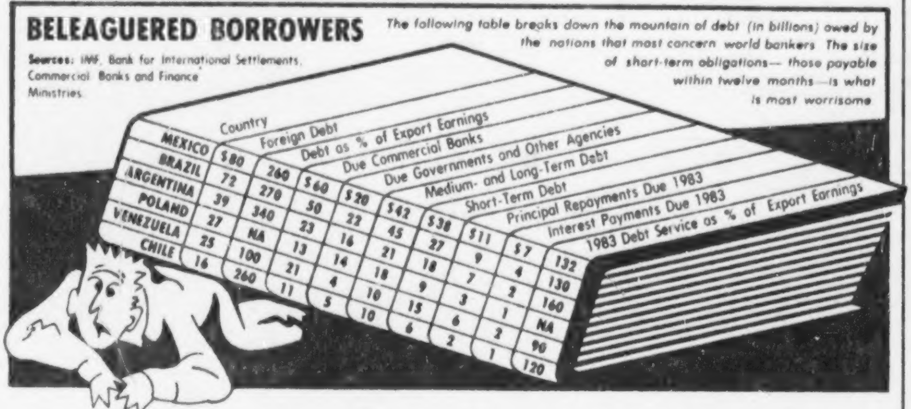
Personal Finance 81
- *Growth-stock opportunities for 1983*
- *Choosing a commodities manager*

THE BUSINESS MONTH

JANUARY 1983

INTERNATIONAL

Bailing Out The World's Debtors



BELEAGUERED BORROWERS *The following table breaks down the mountain of debt (in billions) owed by the nations that most concern world bankers. The size of short-term obligations— those payable within twelve months—is what is most worrisome*

Sources: IMF, Bank for International Settlements, Commercial Banks and Finance Ministries

Country	Foreign Debt	Debt as % of Export Earnings	Due Commercial Banks	Due Governments and Other Agencies	Medium- and Long-Term Debt	Short-Term Debt	Principal Repayments Due 1983	Interest Payments Due 1983	1983 Debt Service as % of Export Earnings
MEXICO	$80	260	$60	$20	$42	$38	$11	$7	132
BRAZIL	72	270	50	22	45	27	9	4	130
ARGENTINA	39	340	23	16	21	18	7	2	160
POLAND	27	NA	13	14	18	9	3	1	NA
VENEZUELA	25	100	21	4	10	15	6	2	90
CHILE	16	260	11	5	10	6	2	1	120

The external-debt burden of the world's nations, now estimated at $500 billion, will hit $626 billion by the end of the year, according to the Organization for Economic Cooperation and Development.

But the problem is not so much the alarming scale of their obligations, say commercial bank economists, as their worrisome maturity schedule. An estimated 60% of Venezuela's debt falls due in two years, for example, 47% of Mexico's, 46% of Argentina's, and 40% of Chile's.

This was the grim situation as the finance ministers and central bank heads from the five leading industrial nations—the United States, Japan, Great Britain, France and West Germany—met in Kronberg, West Germany, last month to explore new initiatives to shore up confidence in the battered international financial system. At the top of their agenda: a plan to beef up the International Monetary Fund's present contributions from member nations by 40%-to-50% above the current $66 billion.

The Group of Five's attitude toward the IMF has radically changed during the past six crisis-ridden months. Until its uninspiring September annual meeting, the Fund was lending little, emphasizing the short-term nature of its commitments and arguing that some of the world's debt problems were beyond its competence. Since then, though, it has been galvanized into action by the scale of the threat to the international monetary order.

Whether a 40% or 50% increase will be big enough or take effect quickly enough to allow the fund to meet its new responsibilities is doubtful. Poland's $27 billion international debt problem, which dominated the financial headlines during late 1981 and early 1982, has long since given way to the nightmarish prospect of massive default in Latin America, where oil-rich Mexico officially owed a whopping $80 billion, Brazil $72 billion (most bankers say the real figure is closer to $90 billion), Argentina $39 billion, Venezuela $25 billion and Chile $16 billion. All but five of the region's 31 economies are believed to be in a financially precarious situation. Cumulatively they owe $300 billion-plus.

And it is not just the commercial banks that will suffer from any default. An estimated 30% or more of Argentinian, Polish and Chilean debt is to governments or official agencies, 25% of Mexico's and 14% of Venezuela's.

So the IMF will be looking for substantial help from the central banks, commercial banks and governments in matching its own efforts. President Reagan has already started the bail-out ball rolling with a $1.2 billion loan to Brazil, which was followed by a $4.5 billion credit from the IMF. And the early signs are that the fund has been markedly successful in persuading commercial banks to follow suit by joining in a $5 billion package to Mexico to supplement its own $3.9 billion program.

But many bankers are proving to be reluctant partners. As one British banker, who had just agreed to participate in the loan to Mexico, explains, "We are only doing this because the Bank of England asked us to."

Waiting For The Dollar To Decline

Foreign exchange experts are hoping the recent decline of the dollar against the yen will continue, heralding a long-awaited adjustment in currency markets. Since mid-November, the dollar has lost 12% of its value against the yen and an equivalent amount against the deutschemark. The decline, bank economists say, is due largely to the easing of U.S. monetary policy and, less importantly, to fears of a current-account deficit in 1983 that may total $25 billion.

The overvalued dollar has been increasingly held responsible for distorted trade patterns and a U.S. trade deficit that hit $40 billion in 1982 and could reach $75 billion by the end of this

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(11/30/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Value of $10,000 if invested: Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$17.60/share	$10,427	$11,574
per cent change		+4.3%	+15.7%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$100.31	$ 9,866	$11,715
ACCUMULATED INCOME		$ 91	$ 1,078
TOTAL		$ 9,957	$12,793
per cent change		−.4%	+27.9%
Money Market Fund	[illegible]	$10,075	$10,946
per cent change		+.8%	+9.5%
Gold (Krugerrands)	[illegible]	$10,543	$10,809
per cent change		+5.4%	+8.1%
HOUSE PRICES	Recent	**Month Earlier**	**Year Earlier**
Existing House	[illegible]	$70,500	$70,100
per cent change		−1.1%	−.6%
New House	[illegible]	$99,100	$84,500
per cent change		−1.9%	+15.0%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

modities advisers and setting up individual accounts and funds, or pools of accounts, with the best ones.

However, Antonacci does not rely on just one manager, no matter how impressive his track record. Just as trading advisers emphasize diversification by purchasing a portfolio of unrelated commodities, Antonacci values the diversification he gets by using a portfolio of advisers with different trading systems. Therefore, the assets of his pools are allocated among three or four managers with complementary systems. One of the few people to use this approach, Antonacci has set up two private pools: Sierra Madre Fund, with $1 million in assets; and the $400,000 Shasta Fund. The former has a $25,000 minimum investment and the latter $10,000. To open an individual account with Summit, the minimum is $250,000.

Since Antonacci established Summit five years ago, he has evaluated hundreds of managers, and his method, he says, can be used by any potential investor.

First, gather as much information about as many managers from as many sources as possible. Antonacci suggests reading industry publications such as *Commodities* magazine and *Managed Account Reports,* which list managers and fund names.

Also, call brokerage firms and get the names of trading advisers that manage their accounts. But don't rely on their recommendations. "Brokerage firms do not survey the entire industry or evaluate it very well," Antonacci maintains.

Obtain literature and prospectuses from as many as fifty advisers. In examining the material, Antonacci emphasizes, the most important thing is the track record, which should be broken down on a monthly, rather than a quarterly, basis, since quarterly records can hide volatility and are not as reliable.

Review at least a two-year performance record; anything less than that is not going to be very meaningful. Make sure, too, that the adviser was using the same trading system throughout, or the record loses a lot of validity.

For each manager's record, compute the compound annual rate of return and the maximum cumulative equity dip, which is the largest consecutive loss the manager suffered. Compare the worst periods of all the managers and then decide if you could handle that size loss for a period of time.

Through this process, you should come up with four or five managers whose records look especially good. If you are comparing track records for public or private funds, Antonacci says you can accept the records as given, since independent auditors have reviewed those prospectuses. However, for individual accounts, you must verify the records by checking the brokerage statements on which the records are based. "There is no reason for a manager not to show you a brokerage statement. He can always cover up the client's name," contends Antonacci, "but if he won't show you a statement, you can assume he is lying about his performance."

In addition, Antonacci points out that you should ask to see an account that is similar in size to the one you expect to have, since different account sizes trade differently.

In terms of references, advisers may give you clients to contact, but naturally they just pick people who have made money with them. It is better to contact brokers who have had clients with that manager. Some will not talk to you, but others, with the idea of getting new business, will be very candid about the adviser's performance and style.

Based on such verification, narrow your choices down to two or three, and put some money with each of them. Antonacci believes this is the best approach, since "you never can be sure the future will be like the past."

Once you have an account, Antonacci has two pieces of advice: Make sure your adviser sticks to his system. And take profits out periodically. The best time is after a big run-up over a short period of time.

—Marjorie Siegel Lyons

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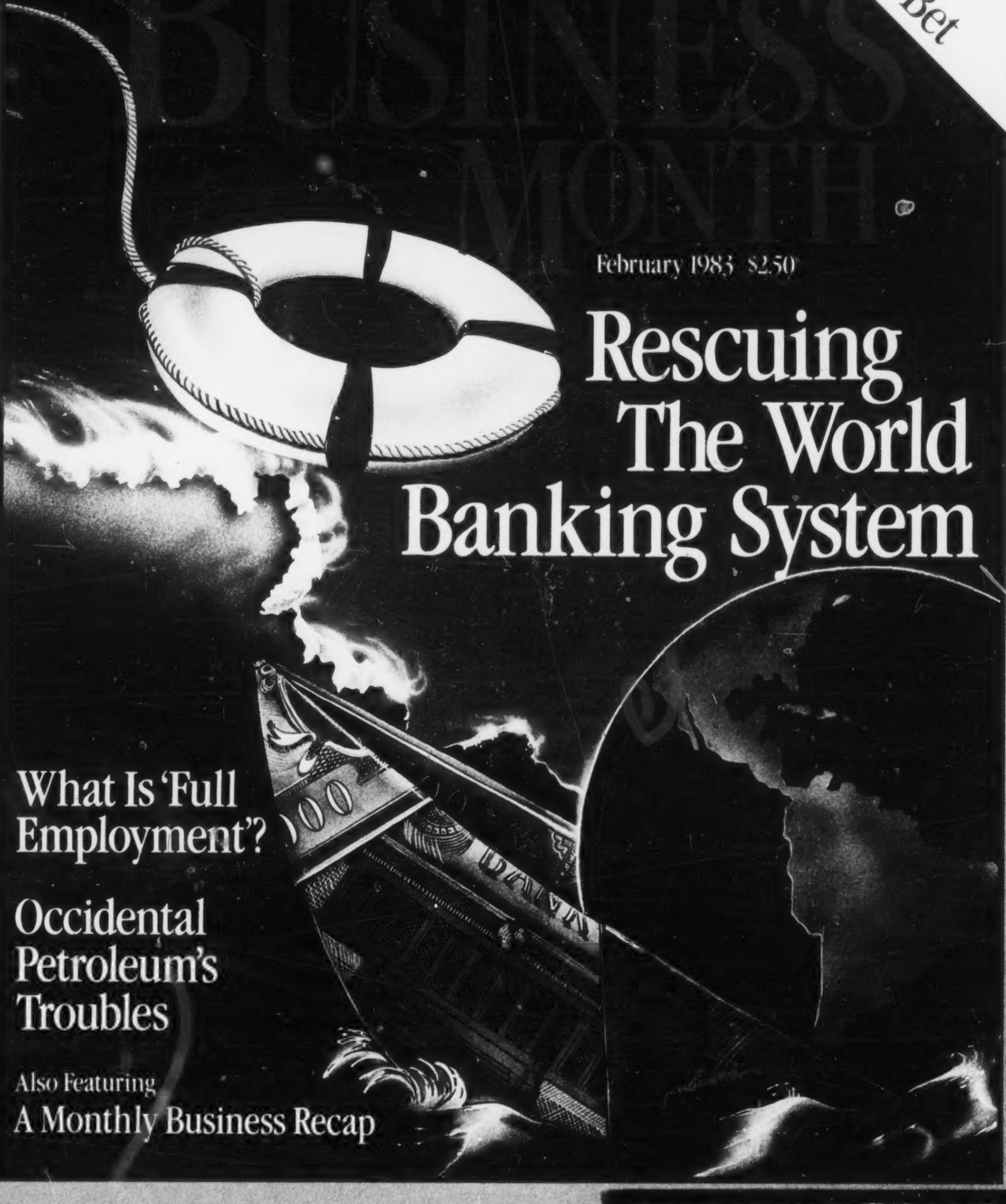
Free-Traders Lose a Bet

BUSINESS MONTH

February 1983 $2.50



Rescuing The World Banking System

What Is 'Full Employment'?

Occidental Petroleum's Troubles

Also Featuring

A Monthly Business Recap

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MONTH

February 1983, Vol. 121, No. 2

Feature Departments

ECONOMY

What Is 'Full Employment'? 36
It's not the jobless rate, but what the voters will tolerate that has vast implications for both inflation and the GOP.

- **Gardner Ackley: Monetarism doesn't work**

MONEY & MARKETS

Rescuing the Banking System 44
(Cover Story)
Beyond much-needed first aid, the world's ailing financial mechanism needs better data, a source of funds and healthier economies.

COMMUNICATIONS

United Satellite's Remarkable Coup 52
The plucky little company is banking on novel technology to beat the telecommunications giants in satellite-to-home broadcasting.

COMPANIES

Oxy's Troubled Days 58
Engulfed by huge debt and plunging earnings, the once go-go oil giant is uncharacteristically retrenching.

- **Computer-Age Tools For the Blind**

INTERNATIONAL

Free-Traders Lose Bet on a Stronger Yen 70
A rising Japanese currency fails to help U.S. trade balance and defuse protectionism. Now the laissez-faire forces are looking for alternatives.

MANAGEMENT

Upsurge in ESOPs 76
With other fringes frozen, many companies are turning to Employee Stock Ownership Plans, which cost so little.

REAL ESTATE

The Boom Is Over in Office Building 80
The big construction binge has led to falling rents, climbing vacancies and problems for developers of the new towers.

Letters 6
New fringe benefit

BizQuiz 30
Pain killers

The Managers 86
A gallery of the month's newsmaking executives

The Business Month

WASHINGTON

Social Security solution? 11
Reagan slips with business

ECONOMY

Feldstein's caution 12

INTERNATIONAL

Gloom at OECD 12
German election
Taiwan piracy
French-Japanese deal
French arms sales
Trouble in Manila?
New EEC squabble

COMPANIES

Chrysler's comeback 14
AT&T wins in court
Baby Bell's new products
IBM buys into Intel
Phillips gets GAO
MGM, Hyatt suits settled

MONEY & MARKETS

Good news for thrifts 18
New bank accounts
Fed vs. Dreyfus
Stocks: Still higher?
Big Board's SWAT plan

INDUSTRIES

Green light for rails 24
Steel shutdowns
Hope for autos?
Bank may become S&L

MANAGEMENT

"Two-tier" tenders 25
Limiting pay disclosure
New FASB proposal
Kodak's open window

CITIES & STATES

Default in Detroit 26

MARKETING

Tylenol's rebound 26

Surveys and Studies 107
An exclusive Dun & Bradstreet report on the Ratios of Industry

Personal Finance 119
- *Double play in Japanese stocks*
- *Racy technology stocks*
- *Executive banking benefits*

Managing Information 125
Those pesky computer bugs

70

The Boom Is Over In Office Building

Rarely have developers, builders, brokers and landlords seen such frenetic activity. In a construction binge born of pent-up corporate demand and nurtured by shortage, the total supply of office space in 21 U.S. cities and suburban areas has leaped 66% to 888.8 million square feet in five years. And the 657 office buildings now under construction are adding another 115.8 million feet, pushing the supply past the billion-square-foot mark for the first time, according to The Office Network of Houston, which keeps track of such things.

Too much? Indeed. In cities across the country, vacancy rates are now up, rents are down, and construction starts are stalled. Reporting on "the office glut," a Prudential-Bache Securities newsletter declares: "The boom in energy and office construction, two of the strongest economic sectors in recent years, have turned to busts." Even the most hardened realtors admit the market has "softened."

For existing buildings, the national vacancy rate, which hit a nadir of 4% in 1979, has risen to 7.5% *(table, opposite)*. Chicago, Denver, Dallas and Houston, among other cities, report high vacancy levels. And even Washington, D.C., long considered the best office city in the country because of constant demand, has seen its traditional rock-bottom vacancy rate jump to 2.7%. That's not much compared with Denver's 15.8% or Fort Worth's 19.5%, but it was 0.3% just three years ago. "We've gone from a seller's market to a buyer's market, no question," says John T. O'Neil, executive vice president of the Apartment and Office Building Association of Metropolitan Washington. "A new tenant should be able to strike a good deal if he has any smarts at all."

The market looks especially weak for new buildings. Unleased space in buildings under construction is up to 68.6% nationally, versus 54.8% three years ago. Older structures are generally well tenanted despite sizable rent increases, realty experts point out. It is the new towers, whose awesome rents reflect today's enormous construction and operating costs, that are encountering resistance. "The frustration for developers is that even the most cost-effective building planned today will not prove initially to be a good investment because the return will be inadequate," says Stanton F. Roth, senior vice president of marketing and financial services for real-estate consulting firm Landauer Associates.

New-building blues

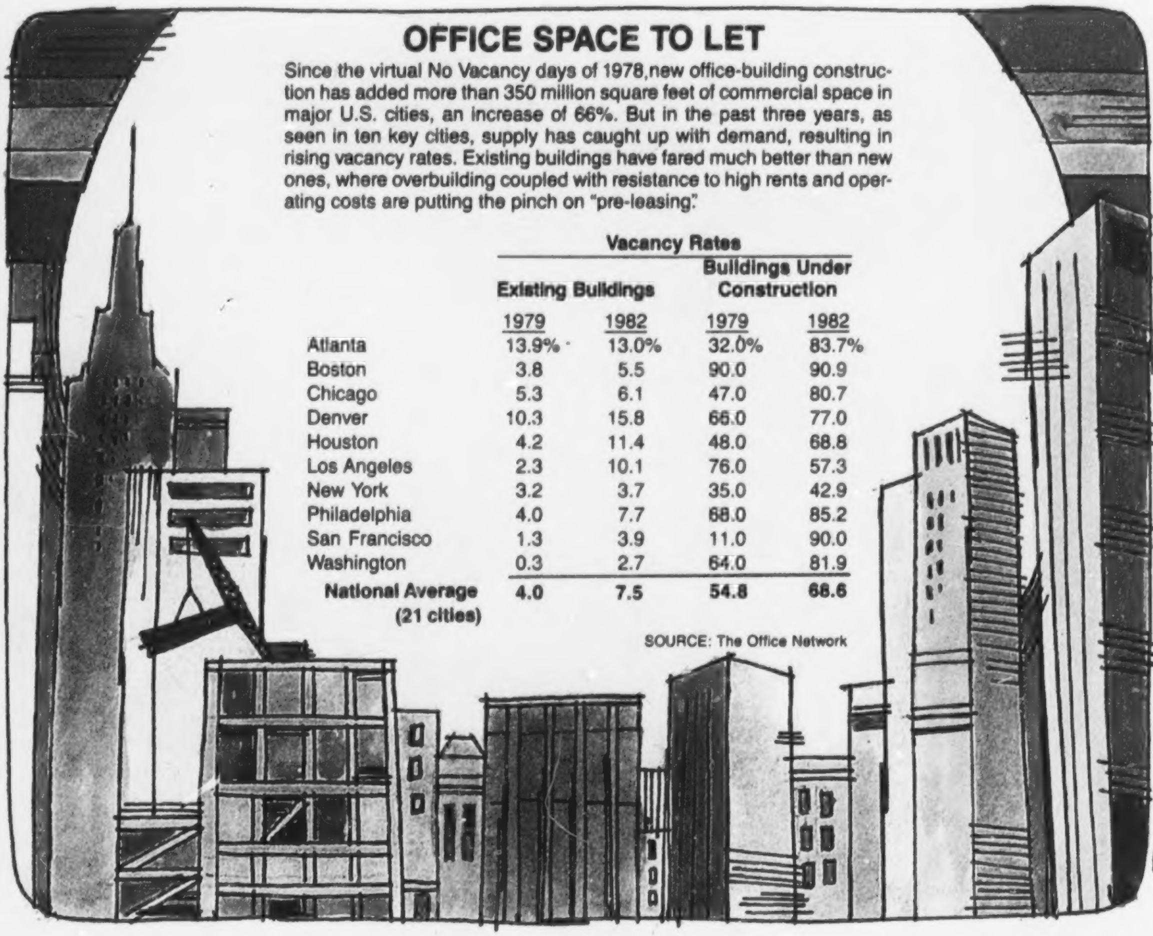
The point was made dramatically last October when Cadillac Fairview, a large Canadian developer, swallowed a $21 million loss rather than proceed with construction of an office building on a prime piece of midtown Manhattan real estate it had acquired in 1981. The company had forked over $105 million for the property ($1,900 a square foot), the highest price ever paid for a site in the U.S. But when development plans showed that its office tower would have to fetch rentals of $70 a foot, Cadillac Fairview decided the venture was futile, defaulted on an $84 million loan from Citicorp and forfeited its $21 million down payment.

In Washington, John O'Neil looks at the 60% vacancy rate in new buildings and sees trouble for both developers and their lending partners. With so many new structures poorly tenanted, including 1050 Connecticut Avenue, the city's largest privately owned office building, O'Neil estimates that it will be five-to-six years, rather than the normal two-to-three years, before many of them can get into the black. "Everybody's been betting on the come," O'Neil says. "But it hasn't arrived. Now the big institutional lenders, who got greedy and got into bed with the developers as equity partners, are losing their shirts. I think you're going to see a rethinking of investment strategy at those big insurance companies."

That scenario is disputed by Donald Knab, senior vice president of the Prudential Insurance Co., whose nearly 600 pieces of property valued at $8 billion make it the nation's biggest private real-estate investor. "We've done quite well with the value of equities generated by our investments over the past five years," Knab says. "We see no reason to abandon equity participation."

However, Knab allows that in response to the softened market ("we like to say it has stabilized"), the Pru is

Across the country, vacancy rates are rising and rents are being cut. Owners of new buildings face especially tough times.



OFFICE SPACE TO LET

Since the virtual No Vacancy days of 1978, new office-building construction has added more than 350 million square feet of commercial space in major U.S. cities, an increase of 66%. But in the past three years, as seen in ten key cities, supply has caught up with demand, resulting in rising vacancy rates. Existing buildings have fared much better than new ones, where overbuilding coupled with resistance to high rents and operating costs are putting the pinch on "pre-leasing."

	Vacancy Rates			
	Existing Buildings		Buildings Under Construction	
	1979	1982	1979	1982
Atlanta	13.9%	13.0%	32.0%	83.7%
Boston	3.8	5.5	90.0	90.9
Chicago	5.3	6.1	47.0	80.7
Denver	10.3	15.8	66.0	77.0
Houston	4.2	11.4	48.0	68.8
Los Angeles	2.3	10.1	76.0	57.3
New York	3.2	3.7	35.0	42.9
Philadelphia	4.0	7.7	68.0	85.2
San Francisco	1.3	3.9	11.0	90.0
Washington	0.3	2.7	64.0	81.9
National Average (21 cities)	**4.0**	**7.5**	**54.8**	**68.6**

SOURCE: The Office Network

now approaching new realty ventures "with great caution, investing only in those that look very attractive." As for Pru-built buildings with high vacancy rates, he says, "We'll just have to wait a bit longer to fill them up."

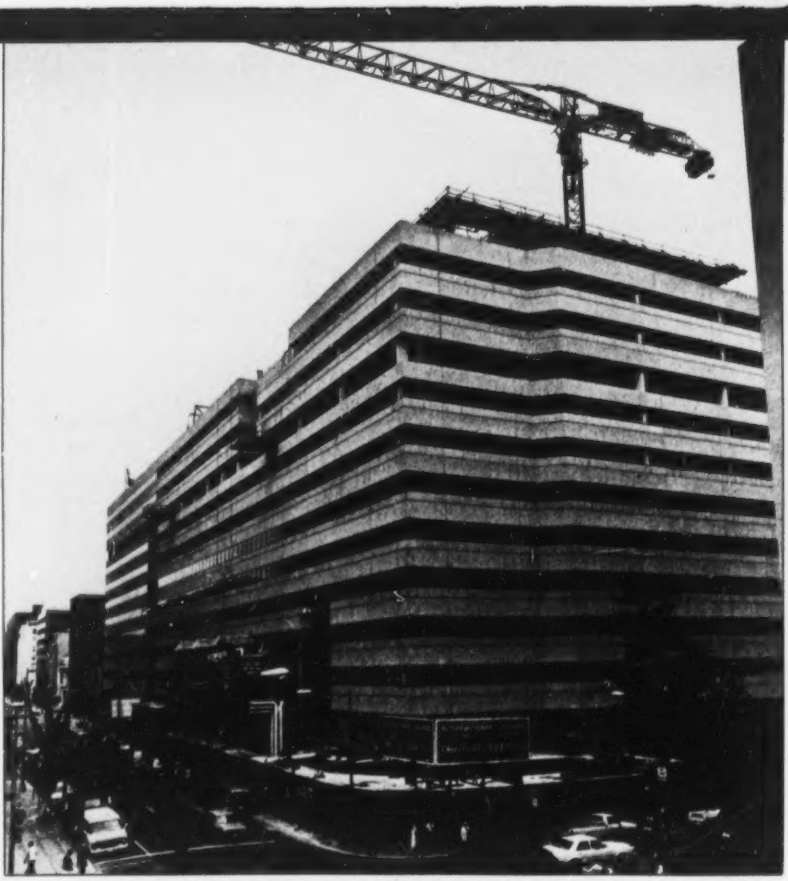
With the recession causing big companies to cut back on major expansion plans, the demand for huge blocks of space is especially soft. The number of corporate commitments for space of more than 100,000 feet has dropped by about 40% in the last six months. Conversely, the availability of contiguous space of 100,000 square feet or more, which was practically nonexistent as recently as 1981, is expected to increase almost 50% this year.

The combination of an ailing economy and forbidding rents has also impacted office space "absorption": the net increase in space usage over a period of time. After two years of rapid absorption, the rate declined about 5% during the first half of 1982 and is projected to drop another 12% by this summer. In midtown Manhattan, for example, absorption of office space during 1982 was negative for the first time in four years, reports Kenneth D. Laub & Co., a real-estate brokerage and consulting firm. And in lower Manhattan, the amount of available space shot up 91% in just the last six months.

Tempting tenants

To cope with the soft market, landlords are quietly tempting new tenants with outright rent reductions. During the boom, the race for space sent rents in prestigious locations soaring to around $30 a square foot in Chicago, $35 in Los Angeles, $40 in Boston and a sky-high $60 in New York. Now there is an average 10%-to-15% "slippage" in rents, according to Landauer Associates. In addition, for the first time since 1974, owners are offering new tenants a welter of concessions, including several months' free rent and liberalized new-building "work letters," which detail the amenities landlords are willing to supply new tenants.

To the 225 news organizations tenanted in Washington's National Press Building, which has been undergoing a complete $65 million renovation, for instance, management recently advised that offices disrupted by construction will have their rents reduced by $6 a foot. Says landlord William D. Hickman: "Other real-estate developers are offering bargain rates. We want to make sure that we do not lose good tenants to other buildings because we fail to offer competitive rates." He has a point. A large company that signed a lease for an entire floor in a new building on Washington's K Street in 1981 at $32 a square foot has gone to court to contest the lease, arguing that the landlord is offering newer tenants comparable space at $28.



Washington, D.C.'s new International Square complex: The rush to build is causing problems even in the nation's best office city

On the other hand, the management of Manhattan's Pan Am building, which sits atop Grand Central Station, denies reports of runaway rent slippage. Replying to city scuttlebutt that space in the midtown monolith, whose rents are scaled from $40 to $60 a square foot, could be had for $26, President Thomas Sheehan of Metropolitan Realty Management, Inc. says the rumors are "inaccurate." The building did recently lease a small windowless area at $30 a foot to a firm that wanted it strictly for storage, Sheehan allows. And the building is offering new tenants rent abatements ranging from 7.5% to 10%. But with some 200 corporate tenants in residence, Sheehan points out, Pan Am's current occupancy rate is a robust 99.93%.

The trouble with the office building business, quips Claude Ballard, a partner with Goldman, Sachs & Co., is that "when a need surfaces for 1 million square feet, invariably four guys go out and build it." But Ballard, who previously managed real-estate investments for the Pru, does not believe the current market is all that bad. "There may be some good buys around from nervous developers who want to get out," he says, "but I would be a buyer, not a seller. Time will chew up the inventory, and in four years or so we may see another building boom. In fact, now is the perfect time to start a new office building."

Obviously, many builders and moneymen do not agree. Office construction starts were down a precipitous 17% last year, and Landauer Associates, among others, expects activity to be greatly reduced again this year. It also expects rents to continue weak.

Nevertheless, the never-say-die contingent is still betting on the come. "As we move from a smokestack to a service-oriented economy, there is going to be a greater need for more office space," Ballard explains. "Unlike the old days of real-estate wheeler-dealers, today's big developers are well financed, well organized, highly scientific and sophisticated. There's very little hot money out there. Most of the big dollars in office buildings today is patience money."

—ROBERT LEVY

The Ratios

The ratios of business this year cover more ground than ever before, with the addition of figures for commercial banks, savings and loan associations and bank holding companies. Listed now are fourteen key ratios for each of 112 lines of business.

Yet even this compilation is only a sampling of the huge mass of financial data on more than 800,000 companies in 800 lines of business compiled by statisticians and computers at Dun's Financial Profiles, a unit of Dun & Bradstreet, Inc., 99 Church Street, New York, N.Y. 10007.

Available from that source are key ratios for 1982 for companies in five industry groups: agriculture/mining/construction/transportation/communications/utilities; manufacturing; wholesaling; retailing; and banking/finance/insurance/real estate/services, as well as industry norms (typical balance sheets and income statements plus ratios) for 1982, 1981 and 1980.

How the Ratios Are Figured

To the economist and the statistician, terms like "median" and "quartile" are everyday working language, no more mysterious than "gross markup" to the retail-store proprietor. But though they involve precious dollars and cents, their precise meaning is foggy at best to many businessmen.

In the ratio tables, three figures appear under each ratio heading for each line. The center figure, in bold type, is the **median;** the figures immediately above and below the median are, respectively, the **upper** and **lower quartiles.** To understand their use, the executive must also know how they are calculated.

First, year-end financial statements from concerns covered by the survey are analyzed by **Dun & Bradstreet** statisticians, who calculate each ratio individually for each concern in the sample.

The individual ratio figures, entered on data-processing cards and segregated by line of business, are then arranged with the best ratio figure at the top, the poorest at the bottom. The figure that falls just in the middle of this series becomes the **median** for the ratio in that line of business. The figure halfway between the median and the highest terms of the series is the **upper quartile;** the term halfway between the median and the bottom of the series is the **lower quartile.** In a strictly statistical sense, then, each median is the **typical ratio figure** for all the concerns studied in a given line.

Definitions of Terms

Collection Period—The number of days that the total of trade accounts and notes receivable, less reserves for bad debts, represents when compared with the annual net credit sales. Formula: divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable by the average credit sales per day to obtain the average collection period.

Current Assets—Total of cash, accounts and notes receivable for the sale of merchandise in regular trade quarters, less any reserves for bad debts, advances on merchandise, inventory less any reserves, listed securities when not in excess of market, state and municipal bonds not in excess of market, and United States government securities.

Current Debt—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures or other funded debts. This item also includes current reserves, such as gross reserves for federal income and excess profit taxes, reserves for contingencies set up for specific purposes but does not include reserves for depreciation.

Fixed Assets—The sum of the cost value of land and the depreciated book values of buildings, leasehold improvements, fixtures, furniture, machinery, tools and equipment.

Inventory—The sum of raw material, material in process and finished merchandise. It does not include supplies.

Net Sales—The dollar volume of business transacted for 365 days net after deductions for returns, allowances and discounts from gross sales.

Net Working Capital—The excess of the current assets over the current debt.

Tangible Net Worth—The sum of all outstanding preferred or preference stocks (if any) and outstanding common stocks, surplus and undivided profits, less any intangible items in the assets, such as goodwill, trademarks, patents, copyrights, leaseholds, mailing list, treasury stock, organizational expenses, and underwriting discounts and expenses.

AGRICUITURE, CONSTRUCTION, MINING

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
0111-0191	2.2	3.8	7.1	52.8	20.8	61.3	9.8	15.9	71.5	2.7	1.7	12.9	7.4	15.2
Agricultural Production—	**0.8**	**2.0**	**18.7**	**111.0**	**57.9**	**96.7**	**25.1**	**6.4**	**109.6**	**4.6**	**3.3**	**4.4**	**4.7**	**7.1**
Crops (133)	0.2	0.7	52.2	257.8	113.3	137.3	66.0	2.7	428.7	9.8	5.5	0.5	0.8	1.0
0211	1.0	1.8	36.4	93.8	58.6	34.2	19.3	21.8	29.8	5.6	2.3	3.6	7.5	19.0
Beef Cattle Feed Lots	**0.5**	**1.1**	**111.3**	**159.9**	**142.5**	**82.9**	**34.3**	**8.9**	**44.4**	**12.9**	**3.9**	**2.3**	**4.0**	**6.6**
(83)	0.3	0.9	350.6	322.8	371.5	155.4	54.7	3.9	88.1	36.8	5.8	0.4	(1.8)	(8.2)
1211	1.6	2.5	20.2	283.2	31.1	98.6	23.3	71.1	44.6	4.0	3.2	11.6	15.3	36.4
Bituminous Coal &	**0.9**	**1.5**	**52.2**	**447.8**	**113.8**	**100.3**	**39.7**	**29.8**	**70.1**	**9.9**	**6.2**	**5.7**	**5.1**	**18.4**
Lignite (164)	0.5	0.9	138.7	999.9	237.8	193.5	55.6	14.5	104.6	19.6	9.1	0.6	0.9	2.5

AGRICULTURE, CONSTRUCTION, MINING (CONT.)

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
1751 **Carpentering** (119)	3.0	5.0	13.5	100.0	21.2	11.0	24.6	80.8	26.8	3.9	1.5	11.0	30.0	41.1
	1.8	**2.4**	**41.0**	**238.1**	**48.6**	**23.8**	**38.6**	**23.2**	**44.5**	**5.7**	**3.8**	**5.7**	**11.6**	**17.7**
	1.1	1.6	82.9	651.4	101.7	65.0	58.7	10.3	100.8	10.2	6.1	2.2	3.7	5.1
1771 **Concrete Work** (112)	3.4	4.1	13.3	243.9	20.0	27.1	22.6	205.7	31.3	4.4	1.9	14.6	20.2	27.8
	1.7	**2.0**	**38.2**	**917.1**	**51.6**	**55.4**	**41.9**	**90.9**	**49.6**	**8.0**	**4.4**	**7.6**	**11.0**	**19.0**
	1.0	1.4	75.2	999.9	100.3	83.4	68.2	39.7	66.2	15.8	7.8	2.3	3.5	5.0
0724 **Cotton Ginning** (128)	1.8	3.1	14.1	94.5	25.2	41.6	11.3	42.3	35.5	5.0	1.5	17.8	20.9	32.3
	0.9	**1.7**	**35.9**	**283.3**	**62.6**	**80.3**	**30.6**	**20.7**	**76.7**	**10.1**	**4.1**	**4.9**	**7.3**	**10.7**
	0.5	0.9	70.8	623.6	118.0	117.6	59.8	9.3	128.7	27.5	7.6	1.2	0.4	0.4
1311 **Crude Petroleum & Natural Gas Extraction** (124)	1.9	4.5	7.3	280.7	13.0	15.4	25.9	34.8	84.9	1.2	5.0	30.0	9.3	28.5
	0.9	**1.6**	**26.6**	**609.7**	**44.1**	**67.6**	**66.0**	**17.2**	**251.3**	**4.7**	**14.0**	**15.7**	**6.4**	**13.1**
	0.6	1.0	116.1	999.9	271.0	157.8	170.8	11.6	409.6	12.8	42.4	4.9	1.6	3.8
0241 **Dairy Farms** (124)	1.4	4.0	6.2	58.4	24.3	51.3	9.4	25.9	148.5	1.9	2.5	17.8	6.7	10.4
	0.4	**1.5**	**15.6**	**121.0**	**43.9**	**87.8**	**18.6**	**5.8**	**241.9**	**4.0**	**3.5**	**6.9**	**2.4**	**4.1**
	0.2	0.6	40.7	515.7	118.3	121.1	35.7	2.8	425.9	9.1	6.3	2.4	1.3	1.9
1381 **Drilling Oil & Gas Wells** (123)	1.7	2.3	18.3	237.1	42.9	53.3	31.3	70.5	48.3	4.1	3.1	21.9	24.2	56.9
	1.0	**1.3**	**60.5**	**512.9**	**128.2**	**132.7**	**68.6**	**27.8**	**91.8**	**7.8**	**5.7**	**15.0**	**10.6**	**28.2**
	0.6	0.9	107.1	999.9	249.3	222.2	100.3	9.9	189.8	12.7	13.4	8.5	5.7	15.0
1731 **Electrical Contractors** (103)	2.6	3.3	25.8	142.9	37.3	13.9	32.4	85.2	32.7	3.8	3.0	11.2	19.8	37.8
	1.7	**2.4**	**52.5**	**373.3**	**68.6**	**28.0**	**49.2**	**32.8**	**41.1**	**5.9**	**4.8**	**5.1**	**9.2**	**15.7**
	1.3	1.7	98.6	855.6	116.9	48.1	70.8	12.6	64.8	8.1	7.9	2.6	6.0	10.8
1794 **Excavating & Foundation Work** (107)	2.6	3.6	11.6	131.7	19.0	64.1	25.1	70.9	53.2	3.6	1.7	12.3	14.1	25.3
	1.1	**1.6**	**29.0**	**538.1**	**44.6**	**90.6**	**43.8**	**30.0**	**80.7**	**6.5**	**4.0**	**6.7**	**8.4**	**12.6**
	0.7	0.9	70.7	999.9	107.7	123.5	69.7	18.4	148.4	13.5	7.7	1.9	2.9	5.2
1521 **General Contractors—Houses** (119)	2.6	4.3	8.8	75.0	27.2	28.2	5.8	99.2	42.2	2.9	1.3	13.1	17.9	25.5
	1.1	**2.1**	**33.2**	**169.5**	**62.9**	**70.0**	**18.9**	**17.8**	**76.7**	**5.3**	**3.4**	**5.1**	**8.9**	**14.4**
	0.3	1.3	86.5	587.9	132.9	104.8	48.9	4.5	152.8	11.8	6.7	2.1	4.6	7.8
1541 **General Contractors—Industrial** (106)	1.8	2.5	40.6	336.3	57.8	14.1	23.3	381.3	24.6	5.2	4.3	7.2	19.7	40.8
	1.3	**1.7**	**93.0**	**986.4**	**119.7**	**32.0**	**44.1**	**123.0**	**30.9**	**10.7**	**7.4**	**2.7**	**5.7**	**14.5**
	0.9	1.3	181.6	999.9	196.6	72.8	62.7	48.2	44.3	18.2	12.5	1.3	2.0	5.5
1611 **Highway & Street Construction** (112)	2.3	3.3	20.9	206.6	28.0	37.0	23.3	112.3	38.4	4.9	2.2	8.1	13.6	23.3
	1.3	**2.0**	**52.2**	**822.3**	**72.2**	**62.8**	**43.0**	**52.0**	**52.3**	**7.3**	**4.7**	**3.7**	**4.6**	**8.9**
	0.8	1.3	96.7	999.9	155.1	84.7	64.9	22.1	69.5	11.7	8.8	0.8	1.3	1.8
1011-1099 **Metal Mining** (100)	1.6	5.3	7.5	80.0	13.8	45.7	16.4	14.1	76.8	1.9	2.6	22.8	11.2	21.0
	0.9	**2.2**	**19.3**	**176.3**	**42.7**	**84.1**	**38.6**	**6.6**	**144.1**	**3.9**	**5.5**	**7.6**	**4.3**	**6.4**
	0.4	1.0	40.1	359.5	104.5	126.7	74.5	4.2	275.1	6.2	9.5	(5.7)	(1.7)	(1.9)
1382 **Oil & Gas Field Exploration Svcs.** (106)	1.6	4.3	10.9	242.4	15.0	19.5	36.0	22.9	102.0	1.2	6.0	16.7	10.9	22.7
	1.0	**1.5**	**29.5**	**518.2**	**50.0**	**66.8**	**72.6**	**11.4**	**234.9**	**3.9**	**15.8**	**8.2**	**3.5**	**8.3**
	0.5	0.9	107.7	999.9	204.6	124.9	149.6	4.9	566.5	9.5	34.2	0.1	(0.2)	(0.2)
1721 **Painting, Paper Hanging & Decorating** (102)	4.3	6.1	11.1	153.0	13.9	15.1	37.5	145.5	32.6	2.9	1.6	14.6	21.7	29.2
	2.5	**3.3**	**28.6**	**337.6**	**32.8**	**28.4**	**48.5**	**52.5**	**43.5**	**5.3**	**3.6**	**6.9**	**9.8**	**18.6**
	1.2	1.8	73.0	999.9	85.2	51.3	81.0	23.0	68.3	9.2	6.7	2.7	5.1	8.5
1711 **Plumbing, Heating, (except Electric) & Air Conditioning Contractors** (107)	2.1	2.8	32.1	138.0	41.7	14.7	38.3	48.1	28.1	5.0	3.5	8.7	10.5	17.3
	1.4	**2.1**	**65.5**	**387.2**	**75.3**	**25.8**	**50.3**	**21.8**	**40.8**	**8.4**	**5.4**	**3.6**	**4.7**	**9.1**
	0.9	1.5	121.2	865.2	124.1	52.0	67.7	10.1	65.0	13.7	9.4	0.7	(0.3)	(1.3)
0251-0259 **Poultry & Eggs** (123)	1.3	3.0	13.4	72.3	34.5	40.1	13.8	26.0	33.6	5.2	1.6	4.7	7.4	15.6
	0.7	**1.6**	**44.3**	**124.2**	**94.1**	**86.8**	**22.9**	**10.6**	**69.4**	**10.8**	**3.9**	**2.2**	**2.3**	**5.2**
	0.3	1.1	98.6	240.1	212.1	120.0	32.1	4.9	121.0	18.9	6.1	(0.2)	(2.5)	(3.6)

COMMUNICATION, TRANSPORTATION, UTILITIES

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
4911 **Electric Services** (112)	1.2	2.6	13.7	180.6	137.3	163.3	23.7	36.3	167.9	5.4	5.8	10.9	4.6	12.6
	0.8	**1.7**	**23.8**	**269.7**	**211.3**	**234.9**	**32.4**	**20.1**	**207.1**	**8.3**	**7.0**	**6.3**	**3.2**	**10.4**
	0.4	1.0	33.2	438.1	384.1	334.0	39.4	10.9	258.3	13.8	8.8	3.0	1.7	5.0

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
4712	1.8	2.0	47.9	265.8	59.8	9.5	25.9	281.6	18.4	5.4	3.6	8.0	23.2	58.8
Freight Forwarding (143)	1.3	1.5	118.4	999.9	145.9	37.5	38.6	81.5	28.8	12.8	7.6	4.0	10.2	30.0
	1.0	1.2	231.0	999.9	256.5	72.0	78.4	23.4	67.1	33.0	15.0	2.3	6.6	14.8
4212	2.7	3.3	12.4	242.2	25.4	45.7	18.9	319.9	33.7	4.8	1.7	11.2	21.8	31.2
Local Trucking Without	1.3	1.8	33.1	437.3	59.0	76.4	33.2	79.4	46.7	9.3	3.3	6.7	8.0	18.0
Storage (104)	0.6	0.9	61.0	999.9	135.4	129.4	45.9	57.9	86.4	19.3	5.2	1.9	2.7	3.7
4832	5.3	7.4	6.3	64.0	9.9	30.5	44.1	173.8	63.4	2.9	1.2	12.2	10.7	23.1
Radio Broadcasting	2.2	3.1	17.3	400.8	35.1	57.4	56.9	85.9	81.0	4.8	2.2	6.9	6.8	8.4
(168)	0.9	1.3	50.3	999.9	129.5	131.6	71.1	12.0	139.3	6.7	4.7	(0.5)	(1.6)	(2.4)
4011-4013	1.2	2.4	22.3	287.1	40.4	77.5	37.5	20.5	119.9	2.5	5.4	17.6	13.3	26.6
Railroads (117)	0.8	1.5	32.7	422.0	89.3	130.7	51.4	16.0	151.1	5.6	12.0	10.5	6.6	15.5
	0.5	1.2	48.5	607.2	140.1	177.0	85.7	11.4	209.7	19.1	18.2	5.9	4.5	9.8
4811	1.4	2.2	15.1	351.5	119.0	163.1	27.7	48.8	236.9	2.7	4.2	15.5	5.5	16.9
Telephone Communication	0.8	1.4	26.3	846.9	182.7	248.7	45.2	26.6	313.6	4.6	8.8	12.7	4.4	12.5
(Wire or Radio) (111)	0.4	0.7	46.6	999.9	385.0	337.1	58.7	16.3	417.6	10.9	11.9	8.7	2.5	8.7

MANUFACTURING

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
2873-2879	1.8	3.2	29.7	77.2	46.1	21.1	25.9	16.2	33.9	4.7	3.4	5.5	11.6	21.0
Agricultural	1.1	2.0	59.8	132.4	106.6	44.5	41.2	9.9	49.2	7.7	5.7	2.6	6.2	12.0
Chemicals (153)	0.6	1.4	136.3	207.0	216.7	97.0	66.4	5.3	69.1	12.5	9.6	0.8	1.7	5.2
3724-3728	1.5	3.0	29.7	74.9	43.3	29.2	31.0	15.2	42.1	3.8	2.4	10.8	15.8	29.7
Aircraft Parts	1.1	2.2	56.1	119.2	87.8	48.6	43.8	7.4	54.3	5.7	4.9	6.2	10.6	19.0
including Engines (170)	0.7	1.5	105.2	200.2	153.0	87.6	56.5	4.7	68.9	10.2	7.8	3.3	4.9	11.0
2051-2052	1.9	3.1	21.9	128.2	29.4	38.2	16.7	58.0	25.3	6.5	2.0	7.1	14.8	25.7
Bakery Products (96)	1.2	2.1	41.3	192.9	58.8	69.5	24.0	26.1	34.1	12.0	3.1	4.2	8.6	17.8
	0.7	1.4	69.3	311.6	131.3	108.7	31.6	15.3	49.3	18.8	4.9	1.6	5.4	9.1
2082-2087	1.9	5.1	12.5	59.2	23.0	47.4	18.2	23.5	33.4	5.6	1.7	6.5	14.1	25.3
Beverages (105)	1.1	2.2	32.8	113.3	72.0	66.1	23.7	13.7	44.0	8.7	4.1	4.4	8.6	16.8
	0.6	1.4	75.3	178.9	141.5	113.0	32.8	7.9	73.6	13.4	6.9	2.6	3.2	8.9
3312-3317	1.4	2.8	31.4	86.9	55.4	51.8	35.0	11.4	41.7	4.8	4.2	6.0	10.4	23.8
Blast Furnaces & Steel	0.9	1.9	57.8	124.8	102.5	80.3	43.5	7.7	60.2	6.6	6.3	4.2	6.1	12.9
Mills (146)	0.7	1.4	117.8	177.6	192.2	117.1	54.1	5.5	75.4	11.8	9.2	1.8	2.9	7.6
2731-2732	2.1	5.3	14.0	50.2	19.3	7.2	31.9	13.7	46.5	2.3	3.3	11.6	11.2	19.2
Books (179)	1.2	2.7	41.5	88.9	53.8	22.0	54.0	5.7	71.5	3.7	5.4	5.2	5.8	11.1
	0.7	1.8	95.3	182.8	123.5	58.5	74.0	3.3	106.3	6.8	9.8	2.6	3.3	4.8
3531-3537	1.8	3.5	32.3	67.4	39.6	21.7	33.9	16.8	36.8	3.3	4.0	9.5	14.3	37.7
Construction, Mining	0.9	2.3	60.1	118.9	86.5	38.1	50.7	6.7	55.5	5.3	5.9	4.7	8.7	12.8
Handling Machinery &	0.6	1.4	149.0	215.5	187.0	55.8	69.3	4.1	70.9	10.3	8.9	1.6	2.6	5.2
Equipment (127)														
2021-2026	1.3	1.9	45.5	141.0	57.2	45.3	18.2	47.4	18.3	11.7	3.9	2.7	10.5	21.1
Dairy Products (103)	0.9	1.4	76.4	236.8	104.9	77.4	23.7	28.0	23.2	23.2	5.5	1.4	6.6	13.3
	0.6	1.2	125.5	393.7	163.0	107.3	28.8	15.0	34.6	40.8	7.5	0.6	3.6	8.2
3641-3648	1.9	3.9	24.4	56.4	29.8	12.2	38.8	9.6	37.4	3.2	3.8	7.3	14.2	28.4
Electric Lighting & Wiring	1.2	2.6	46.8	91.4	63.9	28.7	52.1	6.3	47.7	4.8	6.4	4.2	8.6	15.2
Equipment (185)	0.8	1.7	97.5	154.5	148.0	59.8	64.9	4.4	71.1	8.4	9.6	1.8	3.6	8.2
3671-3679	2.6	4.6	24.2	73.1	27.3	17.9	41.2	15.2	39.0	3.3	3.5	10.3	16.2	28.5
Electronic Components &	1.2	2.6	50.6	138.7	78.5	39.4	52.1	8.9	49.7	5.2	5.6	6.5	9.7	18.1
Accessories (107)	0.8	1.7	100.3	216.7	145.0	87.0	66.7	5.4	76.0	8.9	7.5	2.6	4.5	8.6
3441-3449	2.6	4.2	26.4	75.2	32.3	22.0	30.2	27.2	34.4	4.1	2.5	6.8	10.9	22.7
Fabricated Structural	1.2	2.2	45.8	152.8	77.1	49.7	44.9	12.4	44.3	8.8	5.3	3.2	6.2	12.3
Metal (107)	0.7	1.4	113.2	364.1	170.0	76.7	61.3	7.4	59.1	12.4	8.9	1.4	3.9	5.4
3551	1.7	3.9	24.0	64.4	33.2	23.6	28.4	10.1	41.7	3.1	3.7	8.7	13.2	23.7
Food Products	1.0	2.2	58.2	99.8	74.0	40.3	47.8	6.7	58.5	4.7	5.9	5.1	8.6	14.4
Machinery (106)	0.6	1.5	117.0	190.7	164.8	70.0	68.3	4.0	79.5	8.0	8.0	2.6	3.1	6.5
3142-3149	1.9	3.7	31.3	60.9	38.3	14.9	29.2	10.2	38.2	3.3	3.6	5.4	11.3	23.6
Footwear, Except	1.3	2.7	53.0	88.8	72.8	28.7	48.9	6.3	46.4	4.5	5.4	3.2	6.7	14.0
Rubber (103)	0.8	1.8	112.8	143.6	148.9	46.9	64.4	4.3	57.0	7.0	7.3	1.5	3.6	7.5

MANUFACTURING (CONT.)

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
2511-2519	2.4	4.5	21.7	58.4	31.5	21.2	25.5	18.1	29.6	3.9	2.6	7.8	13.5	28.5
Household	**1.4**	**2.7**	**39.8**	**95.8**	**58.3**	**40.0**	**33.5**	**8.4**	**45.8**	**6.5**	**4.1**	**4.6**	**8.6**	**13.5**
Furniture (109)	0.8	1.6	86.4	182.5	121.7	66.5	51.1	5.2	60.5	10.9	6.5	1.5	3.9	6.3
2812-2819	1.4	2.8	26.6	85.2	40.5	37.0	32.1	13.9	37.3	4.9	5.0	11.4	13.2	23.7
Industrial Inorganic	**1.0**	**2.1**	**52.0**	**127.5**	**87.0**	**63.9**	**45.9**	**9.8**	**56.6**	**6.9**	**6.8**	**7.0**	**8.1**	**16.8**
Chemicals (116)	0.8	1.6	86.2	210.3	156.9	103.2	60.9	6.5	77.0	9.3	9.7	3.9	5.5	11.7
3822-3829	2.0	4.9	22.0	64.6	26.0	13.9	41.9	11.9	43.7	2.5	3.0	11.9	12.6	22.7
Measuring & Controlling	**1.3**	**2.4**	**56.9**	**114.4**	**72.3**	**22.9**	**56.2**	**8.3**	**58.4**	**4.1**	**5.4**	**5.9**	**8.3**	**14.4**
Instruments (105)	0.9	1.7	99.8	173.0	128.4	60.0	76.4	4.0	80.1	8.4	8.3	2.3	4.0	8.2
2011-2017	2.8	4.5	17.4	78.4	30.0	37.4	13.1	48.5	14.2	9.4	1.3	3.8	13.5	23.1
Meat Products (130)	**1.3**	**2.4**	**45.1**	**131.4**	**74.9**	**60.5**	**17.3**	**28.5**	**20.8**	**15.7**	**2.0**	**2.0**	**7.0**	**13.9**
	0.8	1.5	77.6	222.2	141.5	92.1	22.9	16.8	30.6	26.8	3.4	0.7	2.7	4.7
2321-2329	1.4	3.3	38.6	60.6	59.1	5.9	21.9	10.5	30.4	3.9	3.9	3.6	11.1	25.3
Men's & Boys'	**0.9**	**2.0**	**77.7**	**94.3**	**99.6**	**16.9**	**42.3**	**8.0**	**38.0**	**6.4**	**6.3**	**2.0**	**5.4**	**11.7**
Apparel (131)	0.6	1.5	166.9	143.9	199.3	33.4	67.1	4.2	53.5	10.9	9.6	0.6	1.9	5.7
3462-3469	1.6	3.5	21.9	104.8	29.8	30.4	32.1	16.6	41.0	3.8	2.7	7.1	10.4	19.7
Metal Forgings &	**1.0**	**2.1**	**43.8**	**156.6**	**72.0**	**57.2**	**40.8**	**10.1**	**50.5**	**6.5**	**5.4**	**4.1**	**5.7**	**11.0**
Stampings (130)	0.7	1.4	87.7	242.7	125.2	97.2	51.8	7.0	72.5	9.9	8.1	1.2	1.4	3.4
3541-3549	2.3	4.8	14.6	68.8	18.5	35.6	34.6	18.4	47.3	3.5	1.9	9.5	13.7	29.1
Metalworking Machinery &	**1.3**	**2.3**	**38.9**	**140.0**	**54.8**	**61.3**	**49.2**	**8.3**	**67.0**	**4.7**	**3.8**	**5.7**	**8.8**	**18.8**
Equipment (102)	0.8	1.5	77.0	227.1	116.1	92.8	60.2	5.3	82.4	9.3	6.9	2.9	2.4	7.1
3714	2.0	4.2	23.1	52.2	29.7	26.8	34.0	10.3	41.1	3.5	3.9	10.3	11.1	20.4
Motor Vehicle Parts &	**1.0**	**2.7**	**43.3**	**99.6**	**66.9**	**46.2**	**45.7**	**6.4**	**51.8**	**5.3**	**5.7**	**4.0**	**6.2**	**12.9**
Accessories (188)	0.7	1.7	90.2	142.5	134.6	82.5	57.2	4.7	71.7	8.2	8.4	2.1	3.3	6.5
3572-3579	2.7	4.5	18.8	66.0	29.2	14.8	39.1	8.4	45.4	2.2	3.5	11.7	14.3	24.3
Office, Computing &	**1.4**	**2.9**	**37.6**	**98.0**	**56.2**	**29.6**	**66.4**	**5.6**	**66.9**	**3.4**	**7.0**	**7.6**	**10.0**	**15.7**
Accounting Machines (113)	0.8	1.9	93.0	163.6	121.2	51.0	89.4	3.7	92.0	7.4	9.0	3.4	3.4	7.0
2851	2.0	3.6	25.9	62.1	38.1	19.1	31.4	11.8	34.2	4.2	3.3	5.7	11.4	24.7
Paints & Allied	**1.3**	**2.6**	**47.6**	**96.0**	**59.6**	**30.0**	**40.8**	**8.4**	**40.8**	**6.0**	**7.6**	**3.2**	**7.0**	**13.9**
Products (100)	0.9	1.8	95.1	160.4	137.4	73.3	52.9	6.3	56.9	8.9	10.1	2.0	3.6	5.4
2651-2655	1.8	3.2	24.4	87.5	36.7	40.9	27.0	23.1	30.6	5.6	2.9	5.7	10.9	21.5
Paperboard Containers &	**1.2**	**2.1**	**47.8**	**118.8**	**89.7**	**74.7**	**34.8**	**13.0**	**42.7**	**8.0**	**5.0**	**3.4**	**7.2**	**14.1**
Boxes (174)	0.8	1.5	104.2	245.0	189.0	119.8	45.2	7.2	53.4	12.8	7.3	2.1	3.7	9.1
2911-2999	1.5	2.3	41.0	113.0	52.1	24.4	21.9	23.8	26.2	5.2	3.5	4.9	9.9	23.4
Petroleum Refining (99)	**1.0**	**1.7**	**65.9**	**176.4**	**123.5**	**51.4**	**34.6**	**14.8**	**41.8**	**9.6**	**6.7**	**2.9**	**4.9**	**13.0**
	0.6	1.3	117.4	322.5	215.6	127.9	52.5	9.8	59.6	20.4	10.9	0.8	2.2	6.6
2821-2824	1.6	2.7	31.1	82.4	45.6	35.6	34.3	15.3	36.5	4.3	3.4	6.9	9.6	26.0
Plastics, Material &	**0.9**	**2.0**	**50.3**	**147.1**	**95.6**	**71.7**	**41.8**	**10.1**	**50.6**	**7.7**	**6.3**	**4.5**	**6.8**	**14.5**
Resins (96)	0.6	1.3	149.2	234.4	232.4	112.4	56.4	6.9	73.5	15.1	10.8	2.5	3.6	5.9
2421	2.1	4.4	11.9	52.2	25.4	33.5	11.6	17.1	41.3	3.2	1.0	7.9	5.9	9.3
Sawmills & Planing	**0.8**	**2.0**	**31.3**	**101.7**	**69.8**	**75.8**	**18.6**	**8.9**	**57.6**	**6.8**	**1.8**	**1.8**	**2.6**	**4.0**
Mills (99)	0.3	1.2	76.8	186.9	160.3	122.4	29.9	5.2	78.5	18.7	4.5	(0.7)	(1.7)	(3.0)
3841-3843	2.9	4.9	19.2	57.1	21.5	11.4	44.8	10.4	39.7	2.8	2.6	13.1	20.8	31.9
Surgical, Medical &	**1.3**	**2.8**	**38.7**	**96.9**	**50.7**	**25.3**	**57.7**	**6.5**	**57.2**	**4.8**	**5.5**	**5.8**	**10.1**	**16.3**
Dental Instruments	0.9	1.8	80.0	160.9	132.2	43.4	75.1	4.6	73.7	6.9	8.7	2.5	3.3	6.6
& Supplies (115)														
2331-2339	1.3	2.9	47.8	81.8	60.5	4.5	26.2	14.1	24.7	4.6	3.8	5.3	11.9	31.3
Women's, Misses', and	**0.9**	**1.7**	**105.1**	**133.7**	**136.4**	**9.7**	**43.0**	**8.8**	**34.9**	**7.7**	**6.0**	**2.9**	**5.6**	**15.2**
Juniors' Outerwear (106)	0.6	1.4	217.0	195.5	246.7	19.8	64.6	5.7	46.7	17.9	8.4	1.0	1.8	3.9

RETAILING

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
5531	2.1	6.1	12.0	28.6	20.4	14.7	14.2	6.8	37.2	2.5	3.5	9.8	10.1	19.9
Auto & Home Supply	**1.0**	**3.3**	**31.1**	**52.2**	**49.5**	**34.0**	**25.1**	**4.9**	**55.3**	**4.6**	**5.8**	**4.4**	**8.1**	**12.0**
Stores (101)	0.6	2.0	67.9	92.1	87.6	53.3	37.5	3.1	76.3	6.7	8.7	2.1	4.4	7.1
5611	2.0	4.9	17.4	39.5	21.5	6.6	6.5	5.6	40.6	2.4	3.1	10.0	15.5	24.1
Clothing & Furnishings,	**0.8**	**2.5**	**37.8**	**56.5**	**49.1**	**15.3**	**22.6**	**4.0**	**55.3**	**3.6**	**5.4**	**5.0**	**9.8**	**15.1**
Men's & Boys' (108)	0.3	1.9	73.9	88.2	91.1	51.0	43.4	2.8	94.4	6.0	9.4	1.7	2.3	5.4
5311	2.2	5.7	13.0	27.7	16.0	6.4	5.9	6.1	36.9	3.3	4.1	2.0	5.0	9.5
Department Stores (108)	**1.3**	**3.0**	**44.1**	**58.8**	**85.8**	**24.6**	**28.2**	**4.8**	**50.5**	**4.7**	**6.4**	**0.8**	**2.2**	**4.7**
	0.6	2.0	76.8	88.6	149.6	50.8	66.4	3.8	71.6	7.1	9.1	0.1	0.1	0.2

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
5812	2.0	3.7	11.1	170.7	29.1	57.9	1.8	98.3	25.6	8.3	1.1	8.0	14.9	25.0
Eating Places (105)	**0.8**	**1.4**	**37.9**	**419.9**	**68.0**	**95.2**	**4.3**	**61.8**	**39.6**	**18.5**	**2.7**	**5.0**	**9.3**	**15.4**
	0.4	0.8	67.5	999.9	161.9	176.4	9.6	40.9	75.0	40.6	3.7	1.6	3.6	10.4
5651	2.9	15.4	5.7	13.6	9.2	7.4	4.7	4.4	50.6	1.4	2.1	12.1	14.3	18.3
Family Clothing	**1.2**	**6.4**	**13.1**	**26.5**	**26.4**	**18.5**	**16.0**	**2.8**	**68.5**	**2.3**	**4.4**	**6.0**	**8.1**	**10.6**
Stores (104)	0.5	2.9	42.2	54.1	65.4	47.3	36.5	2.0	139.5	3.8	6.3	2.0	3.6	4.6
5712	3.4	6.6	11.9	24.3	15.6	3.3	14.2	5.2	45.8	1.7	1.6	7.4	8.6	13.1
Furniture Stores (106)	**1.3**	**3.7**	**26.4**	**53.4**	**37.0**	**12.6**	**28.8**	**3.8**	**68.5**	**3.1**	**4.9**	**3.1**	**4.1**	**7.6**
	0.5	2.2	57.6	80.3	91.3	39.1	74.4	2.6	107.3	5.0	7.1	0.5	1.2	1.8
5541	1.8	3.9	12.5	69.7	21.7	33.7	4.3	48.2	12.1	8.7	1.2	3.9	11.0	17.6
Gasoline Service	**0.9**	**2.3**	**33.1**	**114.9**	**61.9**	**70.6**	**10.5**	**23.5**	**26.2**	**16.8**	**2.5**	**2.1**	**5.8**	**10.3**
Stations (101)	0.5	1.2	81.0	213.6	116.6	102.5	22.6	11.7	39.3	35.6	4.2	0.6	3.3	4.9
5947	2.5	10.4	4.3	14.5	12.7	11.0	2.1	5.7	47.8	1.7	2.1	14.0	15.2	19.4
Gift, Novelty & Souvenir	**0.9**	**3.5**	**14.8**	**41.4**	**32.5**	**41.9**	**16.0**	**3.4**	**93.8**	**3.2**	**3.9**	**10.7**	**8.1**	**11.4**
Shops (108)	0.3	2.4	32.5	68.3	70.9	73.8	26.2	2.3	269.4	5.9	7.2	2.3	2.2	5.0
5411	1.4	4.4	12.8	36.9	25.3	21.1	1.0	24.1	14.1	9.0	1.5	3.7	9.8	22.0
Grocery Stores (100)	**0.8**	**2.7**	**32.3**	**73.4**	**54.8**	**44.5**	**3.6**	**18.7**	**18.7**	**15.8**	**2.3**	**1.7**	**6.2**	**12.9**
	0.4	1.5	65.4	122.7	107.7	97.2	10.2	11.5	27.8	32.0	3.5	0.9	4.3	5.7
5251	1.7	6.6	12.9	20.7	17.8	6.7	10.5	5.4	43.2	2.1	3.1	9.5	14.1	18.5
Hardware Stores (101)	**0.9**	**4.1**	**27.7**	**44.8**	**41.8**	**15.3**	**20.8**	**3.7**	**59.4**	**3.1**	**4.4**	**4.1**	**6.8**	**10.8**
	0.5	2.1	63.6	74.8	83.5	46.3	34.3	2.5	89.7	5.2	7.2	1.7	3.2	5.7
5945	1.1	5.0	17.4	27.9	20.9	6.4	1.8	5.2	36.8	2.5	2.7	10.1	14.2	26.4
Hobby, Toy & Game	**0.4**	**2.8**	**46.9**	**49.8**	**60.8**	**23.1**	**4.7**	**3.8**	**51.6**	**4.5**	**5.9**	**5.2**	**8.1**	**14.6**
Shops (154)	0.2	1.6	103.7	91.0	131.1	59.0	14.2	2.5	86.0	8.6	10.9	2.1	4.5	9.4
5722-5732	1.3	4.5	20.0	44.8	28.7	12.3	6.9	6.2	36.9	2.9	2.3	8.9	10.3	21.2
Household Appliance, Radio	**0.6**	**2.4**	**44.0**	**69.3**	**68.4**	**25.7**	**13.5**	**4.2**	**53.8**	**5.3**	**4.6**	**3.4**	**5.0**	**12.1**
& Television Stores (102)	0.3	1.6	94.5	101.5	152.0	55.5	36.1	3.0	105.2	9.5	10.1	1.7	2.6	4.7
5944	2.4	10.4	7.1	15.4	8.5	5.1	13.5	3.4	69.2	1.3	3.1	15.9	16.7	22.6
Jewelry Stores (104)	**1.1**	**4.4**	**21.1**	**34.9**	**25.6**	**12.1**	**27.7**	**2.1**	**95.5**	**1.8**	**7.9**	**9.6**	**9.4**	**14.1**
	0.4	2.1	62.4	63.5	76.2	30.8	57.3	1.4	132.3	2.8	15.4	3.5	3.7	6.0
5211	2.0	5.0	20.1	37.7	29.7	8.9	21.1	9.4	35.9	3.2	3.0	5.5	10.1	16.7
Lumber & Other Building	**1.1**	**2.8**	**47.0**	**67.2**	**70.1**	**20.3**	**29.5**	**5.9**	**43.7**	**4.5**	**4.3**	**1.9**	**4.2**	**5.3**
Materials Dealers (105)	0.7	1.9	76.8	108.3	121.9	48.7	48.5	4.2	60.3	7.0	5.3	0.2	0.3	0.5
5511	0.3	1.7	129.8	81.2	138.3	11.1	2.5	8.2	19.2	10.7	0.5	2.7	7.5	27.4
Motor Vehicle Dealers	**0.2**	**1.3**	**217.9**	**94.6**	**227.6**	**21.3**	**4.7**	**6.2**	**24.9**	**18.3**	**0.9**	**1.5**	**4.3**	**13.7**
(New & Used) (106)	0.1	1.2	352.2	104.0	366.1	42.7	9.1	4.9	30.6	31.5	1.5	0.6	1.8	5.0
5949	1.5	7.9	7.4	19.3	13.8	10.0	1.4	5.0	40.6	2.1	3.6	10.0	14.1	21.1
Sewing, Needlework &	**0.5**	**3.5**	**18.2**	**41.8**	**40.2**	**28.9**	**4.3**	**3.3**	**60.2**	**3.4**	**6.3**	**5.0**	**7.1**	**11.6**
Piece Goods Stores (141)	0.2	1.9	67.9	73.1	88.8	66.3	12.4	2.3	161.8	6.2	10.6	1.8	2.4	4.4
5661	2.0	8.9	8.1	17.1	12.4	5.4	1.8	4.2	44.4	2.4	2.6	14.4	12.6	17.3
Shoe Stores (107)	**0.7**	**4.2**	**18.6**	**37.7**	**30.3**	**18.4**	**4.3**	**3.3**	**59.1**	**3.4**	**5.0**	**5.2**	**7.8**	**10.5**
	0.3	2.3	51.3	58.9	72.2	44.7	12.4	2.4	121.2	4.9	9.6	2.6	3.6	7.2
5941	1.2	4.7	13.9	29.8	24.8	9.3	4.0	5.6	39.2	2.2	3.5	8.0	12.9	24.1
Sporting Goods Stores &	**0.6**	**2.5**	**38.0**	**59.9**	**63.0**	**28.3**	**12.7**	**3.5**	**61.9**	**4.3**	**6.9**	**2.8**	**6.7**	**13.9**
Bicycle Shops (103)	0.3	1.7	92.2	89.5	123.8	64.9	27.0	2.4	125.3	7.2	11.6	1.8	2.7	6.6
5621	2.4	5.6	11.1	39.1	16.4	7.1	5.8	8.2	37.6	2.6	2.2	10.4	18.2	27.1
Women's Ready to Wear	**1.0**	**3.3**	**28.0**	**60.6**	**35.7**	**26.5**	**15.6**	**4.9**	**50.0**	**4.1**	**4.2**	**5.6**	**9.7**	**17.2**
Stores (110)	0.4	2.1	64.0	93.3	88.7	67.7	32.1	3.3	94.3	6.9	8.5	2.4	4.8	6.5

SERVICES

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
7311-7319	2.1	3.4	28.1	363.8	48.5	11.4	28.1	166.0	18.7	5.8	3.9	9.3	12.4	40.5
Advertising (105)	**1.3**	**1.7**	**102.1**	**881.0**	**116.3**	**22.8**	**52.9**	**66.8**	**30.7**	**11.5**	**7.5**	**5.3**	**7.4**	**18.8**
	1.0	1.3	217.2	999.9	229.0	35.9	96.7	23.4	73.2	22.7	11.7	1.8	3.4	7.8
7512-7519	1.3	2.1	22.9	101.1	62.6	13.1	14.6	34.6	110.1	2.3	1.4	17.2	9.0	21.2
Automotive Rental &	**0.6**	**1.2**	**73.1**	**482.6**	**260.3**	**77.5**	**29.9**	**18.3**	**166.1**	**5.2**	**4.9**	**8.5**	**3.0**	**15.1**
Leasing (113)	0.1	0.6	242.5	999.9	581.5	239.5	48.1	4.8	262.9	12.5	7.7	2.6	1.5	4.7
7538	2.8	4.9	9.0	43.8	17.9	28.2	13.8	16.4	35.2	4.1	1.8	9.7	18.3	29.2
Automotive Repair	**1.1**	**2.5**	**26.9**	**78.9**	**49.1**	**57.2**	**31.3**	**8.5**	**49.3**	**6.7**	**3.7**	**4.9**	**10.6**	**17.2**
Shops (105)	0.6	1.6	56.1	133.1	99.9	93.5	34.4	5.4	79.2	12.7	5.7	2.8	4.6	7.1

SERVICES (CONT.)

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
7372-7374	2.2	3.1	31.0	165.2	45.2	23.1	30.6	84.2	32.2	3.2	2.5	13.1	18.3	33.4
Computer & Data Processing	1.2	1.8	65.1	358.2	89.5	46.1	42.3	37.5	57.2	7.3	5.1	7.5	10.1	17.0
Services (116)	0.8	1.3	112.7	921.3	160.9	91.9	59.8	17.1	82.1	16.5	8.2	2.5	2.1	4.8
7216	2.7	7.2	4.9	128.3	12.7	35.7	6.9	88.8	41.6	4.5	1.0	13.0	17.5	28.4
Dry Cleaning Plants, Except	1.4	2.5	15.3	252.1	32.7	67.1	17.8	42.5	61.4	7.4	2.1	7.0	10.8	14.9
Rug Cleaning (139)	0.7	1.4	32.7	713.9	68.3	94.4	29.2	22.6	117.6	14.3	3.6	2.8	5.6	8.2
8911	3.2	6.1	13.4	881.5	23.0	14.0	50.0	223.8	28.8	3.8	1.9	14.5	25.8	45.8
Engineering & Surveying	1.7	2.2	50.6	999.9	66.8	27.8	73.7	101.0	48.3	6.3	3.2	6.0	14.0	28.6
Services (102)	1.1	1.5	105.6	999.9	139.0	60.7	107.3	43.5	65.5	11.7	5.2	2.1	6.7	13.6
8062	2.2	3.1	13.9	364.0	30.9	74.3	45.2	77.2	73.5	5.6	3.0	5.4	5.9	10.9
General Medical & Surgical	1.5	2.1	22.8	583.4	86.6	109.0	57.6	44.3	100.6	8.7	3.8	3.3	3.8	7.5
Hospitals (103)	1.1	1.5	36.0	972.4	175.1	157.0	66.4	34.8	138.2	12.9	5.7	1.7	1.1	3.1
7011	1.5	2.5	9.6	441.4	56.2	103.7	4.7	111.3	103.7	4.2	2.2	16.0	10.0	25.0
Hotels, Motels & Tourist	0.6	1.0	29.5	999.9	151.5	160.5	10.9	65.5	192.6	7.2	3.4	9.2	6.3	13.4
Courts (100)	0.2	0.4	60.9	999.9	508.2	348.5	15.3	38.2	321.8	39.2	4.8	3.4	2.2	3.3
7361-7369	5.2	6.3	11.7	207.9	22.7	8.9	27.3	214.0	18.6	6.0	0.4	13.1	23.2	36.3
Personnel Supply	2.2	2.7	39.7	999.9	50.2	20.8	37.9	98.0	24.5	9.3	1.6	6.3	15.0	22.8
Services (158)	1.2	1.7	83.8	999.9	113.4	52.3	57.6	18.6	50.4	17.5	3.9	2.1	4.7	13.7
7622	3.7	9.3	3.5	45.5	9.9	27.6	17.1	16.3	50.5	1.6	1.3	22.1	15.1	18.9
Radio & Television	1.4	3.4	11.0	92.5	27.7	57.8	26.2	8.9	113.1	3.7	2.6	10.5	8.8	10.0
Repair Shops (103)	0.6	1.7	38.1	154.1	53.7	87.2	45.9	3.8	278.1	7.5	4.0	6.0	4.9	5.7
8051	1.8	2.4	16.0	525.5	59.1	53.0	17.1	192.6	48.7	5.1	1.9	7.9	9.7	31.1
Skilled Nursing Care	1.1	1.6	44.8	999.9	139.4	131.0	27.3	108.3	74.6	10.7	2.9	3.3	4.7	16.5
Facilities (128)	0.7	1.0	105.9	999.9	363.9	300.7	38.3	62.3	115.8	22.8	5.0	1.2	1.2	2.8

WHOLESALING

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
5013	2.1	5.3	17.4	30.7	20.9	8.7	21.1	6.4	37.5	2.8	4.1	7.7	13.8	21.1
Automotive Parts &	1.3	3.2	38.2	58.4	43.8	16.3	32.4	4.2	50.0	4.2	6.5	3.7	8.1	13.8
Supplies (103)	0.7	2.1	71.3	86.7	112.6	28.9	48.1	3.2	67.3	6.0	9.4	2.2	3.9	8.9
5181-5182	2.2	5.4	17.0	44.6	21.0	14.3	2.5	20.9	18.2	7.9	0.8	4.4	14.9	27.7
Beer, Wine & Distilled	1.0	2.9	35.0	73.7	54.7	35.2	13.1	14.3	25.0	10.3	2.4	2.5	10.7	15.6
Beverages (115)	0.6	1.5	82.3	121.2	112.0	77.5	24.8	9.2	33.4	18.1	5.5	1.5	6.0	10.9
5161	1.9	2.8	44.6	97.0	49.7	9.3	31.4	23.5	23.1	5.2	5.0	8.2	12.9	32.4
Chemicals & Allied	1.1	1.7	93.5	180.5	107.4	25.3	43.8	12.5	34.7	10.0	7.0	3.8	8.3	17.8
Products (140)	0.8	1.3	202.0	295.9	222.0	54.8	67.1	6.7	50.5	16.3	15.2	1.6	4.6	11.0
5136-5137	2.2	4.8	19.7	60.4	26.5	5.3	20.8	14.7	24.1	3.4	4.4	7.4	13.3	24.8
Clothing &	1.1	2.1	73.9	99.5	86.8	14.4	35.4	7.8	40.4	7.1	7.2	3.5	7.0	16.4
Furnishings (117)	0.7	1.6	131.7	179.2	145.5	47.3	60.5	5.1	59.0	11.4	11.1	1.6	5.1	8.4
5145	1.9	5.0	22.2	37.4	25.8	10.0	10.5	17.9	13.2	7.4	1.9	2.6	13.2	19.8
Confectionery (102)	1.0	2.8	49.0	81.4	61.9	24.9	18.0	13.0	26.7	10.5	2.7	1.4	6.2	11.2
	0.7	1.7	114.2	127.2	125.9	47.4	25.5	8.2	29.0	17.9	4.1	0.7	4.1	6.4
5143	1.4	1.9	46.9	159.3	53.3	18.5	14.6	101.4	13.2	14.8	3.0	2.7	9.2	23.3
Dairy Products (145)	1.0	1.4	90.4	271.8	122.8	44.7	22.2	43.1	20.4	30.7	5.0	1.4	5.9	14.5
	0.8	1.2	200.7	507.6	271.1	90.0	29.2	21.0	27.8	60.0	7.0	0.4	2.7	8.4
5122	1.6	3.6	31.2	62.7	46.2	8.3	28.9	10.9	27.1	4.7	4.9	4.0	8.1	20.1
Drugs, Proprietaries &	0.9	1.9	88.4	105.3	114.2	16.0	38.9	7.6	32.4	7.7	8.3	1.9	4.7	11.4
Sundries (132)	0.6	1.4	183.4	155.1	235.2	39.7	56.9	5.5	53.3	13.6	12.0	0.7	1.3	5.2
5063	1.9	3.4	32.0	71.1	39.1	11.3	24.0	14.7	26.7	4.3	3.8	7.1	10.4	24.6
Electrical Apparatus &	1.2	2.4	58.8	107.1	70.2	24.0	36.1	9.4	34.6	6.7	6.4	2.9	7.3	13.3
Equipment (107)	0.8	1.7	106.0	163.5	138.2	49.4	45.6	5.8	50.5	11.2	9.7	1.5	3.9	8.2
5064	1.6	3.2	34.6	66.7	38.2	4.6	16.7	15.8	24.3	4.7	3.4	5.7	13.6	26.9
Electrical Appliances,	1.0	2.2	66.1	95.5	81.0	14.5	32.8	7.4	34.9	7.8	6.1	1.9	4.7	13.2
TV & Radio Sets (126)	0.6	1.4	195.2	144.9	209.6	39.3	45.2	4.8	52.3	14.1	10.7	0.7	1.8	5.7
5083	0.7	2.7	47.1	70.0	54.7	10.2	10.2	4.4	43.0	3.5	1.2	5.4	8.3	16.8
Farm Machinery &	0.3	1.5	166.3	84.9	180.4	20.4	17.5	2.8	60.0	5.7	2.4	1.7	3.1	9.0
Equipment (102)	0.2	1.3	293.8	100.2	341.6	45.0	31.7	1.9	85.2	9.2	14.7	0.4	1.0	2.6
5139	1.9	3.5	37.2	66.2	40.6	2.3	38.4	11.1	31.9	3.6	4.4	5.1	11.8	25.2
Footwear (147)	1.1	2.0	80.9	105.7	90.6	6.5	55.1	6.5	41.4	5.3	8.7	2.7	5.6	14.5
	0.7	1.5	178.7	157.5	201.3	18.1	80.3	4.0	57.3	10.2	13.0	1.0	2.4	6.0

Line of Business and no. of concerns reporting	Quick ratio	Current ratio	Current liabilities to net worth	Current liabilities to inventory	Total liabilities to net worth	Fixed assets to net worth	Collection period	Net sales to inventory	Total assets to net sales	Net sales to net working capital	Accounts payable to net sales	Return on net sales	Return on total assets	Return on net worth
	Times	Times	Per cent	Per cent	Per cent	Per cent	Days	Times	Per cent	Times	Per cent	Per cent	Per cent	Per cent
5021-5023	2.3	3.7	27.6	68.6	28.4	7.8	18.9	14.4	26.4	3.5	3.1	6.7	14.8	33.2
Furniture & Home	**1.1**	**2.0**	**56.0**	**108.1**	**77.0**	**17.7**	**34.3**	**8.6**	**36.1**	**6.9**	**5.1**	**3.7**	**7.0**	**16.6**
Furnishings (113)	0.7	1.5	148.8	221.0	165.7	58.7	52.4	5.1	56.1	13.3	9.5	1.0	1.8	4.0
5141	0.3	1.7	129.8	81.2	138.3	11.1	2.5	8.2	19.2	10.7	0.5	2.7	7.5	27.4
Groceries, General	**0.2**	**1.3**	**217.9**	**94.6**	**227.6**	**21.3**	**4.7**	**6.2**	**24.9**	**18.3**	**0.9**	**1.5**	**4.3**	**13.7**
Line (106)	0.1	1.2	352.2	104.0	366.1	42.7	9.1	4.9	30.6	31.5	1.5	0.6	1.8	5.0
5072	2.5	6.8	19.0	29.9	23.3	6.6	26.2	9.3	31.8	3.2	3.5	8.0	15.8	23.9
Hardware (117)	**1.2**	**3.1**	**43.1**	**70.5**	**55.0**	**12.6**	**40.1**	**5.9**	**41.3**	**4.5**	**5.6**	**3.8**	**9.2**	**16.9**
	0.7	1.9	99.7	122.0	133.0	29.7	53.6	3.9	56.0	7.4	9.2	1.5	5.0	9.1
5084	1.6	2.5	58.0	86.4	66.1	11.0	31.0	13.9	27.3	5.6	3.8	4.6	12.4	28.8
Industrial Machinery &	**1.0**	**1.8**	**99.4**	**122.0**	**105.5**	**18.8**	**39.0**	**8.4**	**34.6**	**8.0**	**6.8**	**2.9**	**6.7**	**13.6**
Equipment (106)	0.6	1.4	182.5	216.4	245.7	43.1	56.2	5.9	50.1	11.9	11.0	1.1	2.7	7.8
5031-5039	2.1	4.8	21.0	50.8	27.2	10.8	22.6	14.8	25.8	3.8	3.1	4.6	12.1	19.4
Lumber & Other Construction	**1.2**	**2.6**	**47.3**	**111.1**	**63.2**	**23.7**	**32.1**	**8.3**	**39.2**	**7.1**	**4.4**	**2.2**	**5.1**	**8.5**
Materials (102)	0.7	1.7	97.1	189.4	130.4	52.9	44.5	4.6	54.6	11.8	6.5	0.3	0.7	2.0
5147	1.9	3.1	30.2	114.2	33.3	14.0	11.9	68.3	10.8	12.4	1.3	2.3	9.9	19.2
Meats & Meat	**1.2**	**2.0**	**67.1**	**195.7**	**95.2**	**37.7**	**17.5**	**39.6**	**15.1**	**22.1**	**2.5**	**0.9**	**4.0**	**14.8**
Products (105)	0.8	1.4	156.1	303.4	190.9	83.6	25.1	22.0	23.0	40.6	3.9	0.2	2.0	4.5
5198	1.9	4.6	24.6	44.1	27.2	5.3	26.6	8.4	32.4	3.4	3.9	5.3	12.0	20.2
Paints, Varnishes &	**1.2**	**2.8**	**48.3**	**71.2**	**60.1**	**12.6**	**34.6**	**6.1**	**40.4**	**4.8**	**5.9**	**2.7**	**6.5**	**12.4**
Supplies (164)	0.7	1.9	86.8	109.6	109.2	31.2	44.5	4.3	56.3	7.2	8.2	1.1	2.2	3.6
5111-5113	2.2	4.9	21.8	53.3	26.8	8.7	28.1	16.9	24.1	4.2	3.4	5.9	13.8	25.1
Paper & Paper	**1.3**	**2.4**	**63.0**	**119.9**	**76.8**	**18.9**	**35.7**	**10.3**	**31.1**	**7.1**	**5.0**	**3.1**	**8.1**	**15.5**
Products (112)	0.9	1.6	119.2	178.9	154.3	43.5	47.8	7.1	43.6	12.9	7.0	1.6	4.1	10.2
5171-5172	2.0	3.5	19.6	93.3	31.0	28.4	13.5	59.8	13.6	9.4	2.0	4.0	11.8	23.3
Petroleum & Petroleum	**1.3**	**1.8**	**57.8**	**185.4**	**78.7**	**45.9**	**21.9**	**32.0**	**18.5**	**18.2**	**3.3**	**1.5**	**5.8**	**13.8**
Products (100)	0.9	1.4	109.9	311.3	144.2	79.6	36.8	18.2	31.9	28.4	5.2	0.7	2.6	5.8
5074	2.1	4.6	23.6	47.4	29.8	7.0	31.3	10.1	31.7	3.4	4.1	5.8	11.6	22.4
Plumbing & Heating	**1.1**	**2.7**	**50.8**	**82.0**	**70.3**	**14.6**	**40.5**	**6.3**	**39.6**	**5.0**	**6.0**	**2.8**	**5.5**	**10.7**
Equipment & Supplies (109)	0.7	1.8	108.5	135.1	127.5	37.3	48.1	4.4	56.1	8.3	8.0	0.8	1.3	3.3
5144	2.1	3.1	37.8	143.3	60.5	17.8	13.1	74.3	9.3	12.9	2.0	2.6	12.8	25.1
Poultry & Poultry	**1.2**	**1.5**	**110.6**	**288.8**	**120.3**	**40.4**	**19.0**	**48.6**	**13.8**	**25.9**	**3.6**	**1.1**	**6.6**	**14.1**
Products (91)	0.9	1.3	166.8	422.0	230.5	66.5	24.0	22.8	23.4	38.9	5.5	0.2	3.2	3.5
5014	1.2	2.3	55.8	80.1	65.5	10.7	26.6	9.1	30.6	5.7	7.9	4.1	8.9	20.4
Tires & Tubes (101)	**0.8**	**1.7**	**98.4**	**118.3**	**117.0**	**29.0**	**36.5**	**6.7**	**37.2**	**8.9**	**11.3**	**2.2**	**4.8**	**12.6**
	0.6	1.3	215.9	159.7	245.6	58.3	48.9	5.0	53.1	16.1	15.8	1.4	2.8	5.5
5194	1.7	4.1	31.0	48.6	34.5	7.7	10.2	23.7	11.4	8.9	2.1	2.1	10.4	19.4
Tobacco & Tobacco	**1.1**	**2.6**	**62.7**	**79.3**	**73.4**	**15.0**	**13.5**	**17.5**	**14.3**	**14.9**	**2.8**	**0.9**	**6.8**	**11.9**
Products (129)	0.8	1.8	120.1	130.2	161.2	29.3	18.9	12.5	21.5	22.7	4.1	0.3	2.6	5.5
5075-5078	2.1	4.9	21.1	64.2	27.8	7.6	28.8	17.6	31.1	4.2	3.0	4.9	9.4	20.0
Warm Air Heating	**1.0**	**2.2**	**65.5**	**105.9**	**74.9**	**14.6**	**36.1**	**6.2**	**40.4**	**6.2**	**6.3**	**2.6**	**5.6**	**10.3**
& Air Conditioning	0.6	1.6	152.2	199.7	183.0	31.7	49.6	4.7	54.9	11.8	10.2	0.9	2.1	4.7
Equipment & Supplies (128)														

COMMERCIAL BANKS

Equity to Assets	Equity to Loans	Loans to Deposits	Loans to Assets	Net Interest Margin	Fee Income	Over-head	Operating Efficiency	Net Charge-offs to Loans	Prov. for Loss to Loans	Allowance for loss to Loans	Return on Assets	Return on Equity	Dividend Payout
9.6	21.7	48.6	42.5	6.3	0.9	2.6	46.7	0.2	0.2	1.2	1.6	17.4	14.3
8.3	**16.7**	**57.7**	**50.6**	**5.3**	**0.6**	**3.3**	**56.1**	**0.3**	**0.4**	**1.0**	**1.1**	**13.8**	**26.5**
7.2	13.3	66.1	57.7	4.6	0.4	4.2	65.6	0.7	0.8	0.8	0.8	9.9	43.7

SAVINGS & LOANS

6.2	7.2	94.9	83.8	0.8	0.8	1.3	83.6	—	0.1	0.3	(0.2)	(1.6)	—
4.8	**5.3**	**101.1**	**87.7**	**0.3**	**0.5**	**1.5**	**130.1**	—	**0.1**	**0.1**	**(0.8)**	**(11.2)**	—
3.2	3.7	109.1	90.2	(0.3)	0.3	1.8	238.7	—	0.3	0.1	(1.0)	(25.2)	—

BANK HOLDING COMPANIES

7.2	14.8	59.1	46.7	5.6	1.3	3.1	58.3	0.2	0.3	1.3	1.0	15.8	22.2
6.2	**11.9**	**66.0**	**52.5**	**4.8**	**1.0**	**3.7**	**65.0**	**0.3**	**0.4**	**1.1**	**0.8**	**13.5**	**30.5**
5.3	9.6	72.5	57.8	3.9	0.7	4.5	70.5	0.5	0.6	1.0	0.6	10.1	39.2

BEST AVAILABLE COPY

INVESTMENT UPDATE

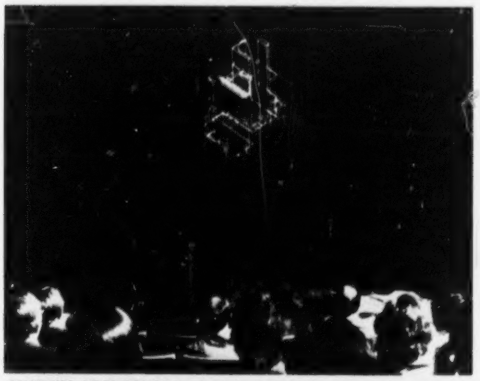
Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(12/31/82) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$17.56/share	$10,168	$12,097
per cent change		+1.7%	+21.0%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$108.62	$10,217	$12,530
ACCUMULATED INCOME		$ 92	$ 1,129
TOTAL		$10,309	$13,659
per cent change		+3.1%	+36.6%
Money Market Fund	8.22%	$10,068	$10,854
per cent change		+.7%	+8.5%
Gold (Krugerrands)	$471/oz.	$10,645	$11,256
per cent change		+6.5%	+12.6%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$71,300	$70,800	$70,000
per cent change		+.7%	+1.9%
New House	$90,100	$97,900	$88,700
per cent change		−8.0%	+1.6%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

ent is to have a "relationship" with your bank, which means that you use a number of the bank's services (not just its checking or savings facilities) and that you and your financial situation are well known to several members of the bank. "It is very important for a bank to get to know you. Once that relationship is established, loans can be handled over the phone with a minimum of paperwork," reports David Himmelreich, who is senior attorney at Ayco Corp., executive financial planners.

In establishing a relationship, a bank will review your entire financial situation. Explains Strong, "We look not only at a person's balance sheet, but the dynamics of his entire situation. We apply the analytical tools that you would use on a small business, such as cash flow and projections of income and cash flow. We also look at how a person has handled credit in the past, as well as personal arrangements he might have, such as child support or alimony." The size, type and flexibility of a loan will depend on all these factors. —MARJORIE SIEGEL LYONS



COMPUTER-AIDED DESIGN displayed by General Electric projector is viewed by Engineering Society of Detroit.

AMENDMENT 1 ON PAGE
2 LINE 18 IN TITLE
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GENERAL ELECTRIC

Deficits: An Overblown Problem

DUN'S BUSINESS MONTH

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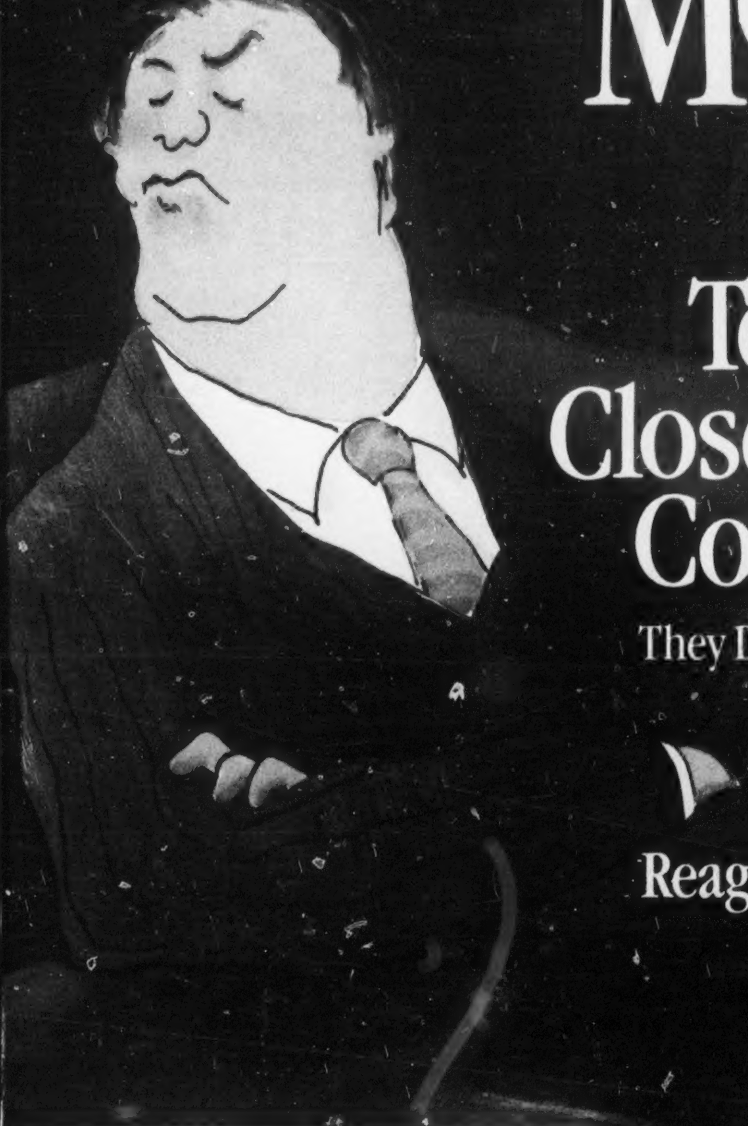

The Ten Most-Close-Mouthed Companies

They Don't Talk to The Street

Reagan's Savvy Strategists

OPEC: End of an Era

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DUN'S
BUSINESS
MONTH

March 1983, Vol. 121, No. 3

Feature Departments

ECONOMY

Deficits: The $200 Billion Question 28
The river of red ink in the budget is the nation's Number One worry. Is it overblown?
- **Walter E. Hoadley: The system needs an overhaul**

WASHINGTON

Reagan's Savvy Strategists 34
The course the White House's top planners are plotting could make or break Reagan's Presidency.

MONEY & MARKETS

The Close-Mouthed Companies 42
(Cover Story)
The ten most tight-lipped companies—and their arms-length relations with Wall Street.

INDUSTRIES

The Decline And Fall of OPEC 50
The cartel's failures have many fathers—but poor management is the granddaddy of them all.
- **Housing Leads the Way Again**

42

INTERNATIONAL

Which Way for U.S.Trading Companies? 56
In a new kind of venture for American industry, Sears, Roebuck and GE are testing the waters.
- **West Berlin's Battered Economy**

MANAGEMENT

The Oddball Forecasters 64
Inferential scanning is the stock in trade of a new breed of trend-spotters.-
- **New Funding For Health Care**

AGRICULTURE

PIK: The Winners And Losers 75
The Administration's Payment-in-Kind program may be a boon to farmers but the bane of their suppliers.

The Business Month

WASHINGTON

Reagan vs. Congress 11

ECONOMY

Omens of recovery 11
Unemployment peak?

MONEY & MARKETS

Bank account assets soar 12
ARCNs debut
Dow's P/E hits 45

25

INTERNATIONAL

Court quashes U.S. claims 13
Australia beckons banks
U.S.-China trade tensions
Cracks in Airbus consortium
Thatcher's budget

COMPANIES

GM-Toyota pact 19
Oxy debt ratings cut
Penney shifts strategy
GE sells its mines

INDUSTRIES

Oil's new economics 21
1982 profits plunge

MANAGEMENT

Cost-free benefit 25
Recession punishes perks
Takeover sentiment lives

MARKETING

Kodak's fast films 26

COMMUNICATIONS

TV network troubles 26

TECHNOLOGY

Fiber optics milestone 26

BizQuiz 5
The asset scramble

The Managers 103
A gallery of the month's newsmaking executives

Personal Finance 107
- *New tuition plan*
- *Janus Fund's winning strategy*
- *Borrowing from brokers*

Managing Information 113
Boom in computer education

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nities for suppliers. He particularly favors the multibillion-dollar Swedish telephone equipment maker L. M. Ericsson, which he expects to be a popular source of telephone exchange equipment for the Bell operating companies when they are free to choose non-Western Electric Co. suppliers. Ericsson, whose ADRs (American Depository Receipts) recently changed hands at 45 on the OTC market, is selling at a much lower P/E than Northern Telecom, another major contender in this market. And Bailey thinks the spread between the valuations of the two companies should shrink as investors become better acquainted with Ericsson.

Another telephone supplier that Bailey holds in the Janus Fund portfolio is California Microwave, which sells customized microwave and satellite systems to Ma Bell and the Defense Department. The company's strength is in bidding on contracts, getting the business and then installing its systems efficiently—all very important

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(12/31/82) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$18.16/share	$10,342	$12,699
per cent change		+ 3.4%	+ 27.0%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$103.31	$ 9,560	$12,155
ACCUMULATED INCOME		$ 91	$ 1,382
TOTAL		$ 9,651	$13,537
per cent change		− 3.5%	+ 35.4%
Money Market Fund	8.02%	$10,066	$10,832
per cent change		+ .7%	+ 8.3%
Gold (Krugerrands)	$509/oz.	$10,791	$13,234
per cent change		+ 7.9%	+ 32.3%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$79,100	$71,600	$70,000
per cent change		+ 10.5%	+ 13%
New House	$88,500	$91,800	$102,000
per cent change		− 3.6%	− 13.2%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

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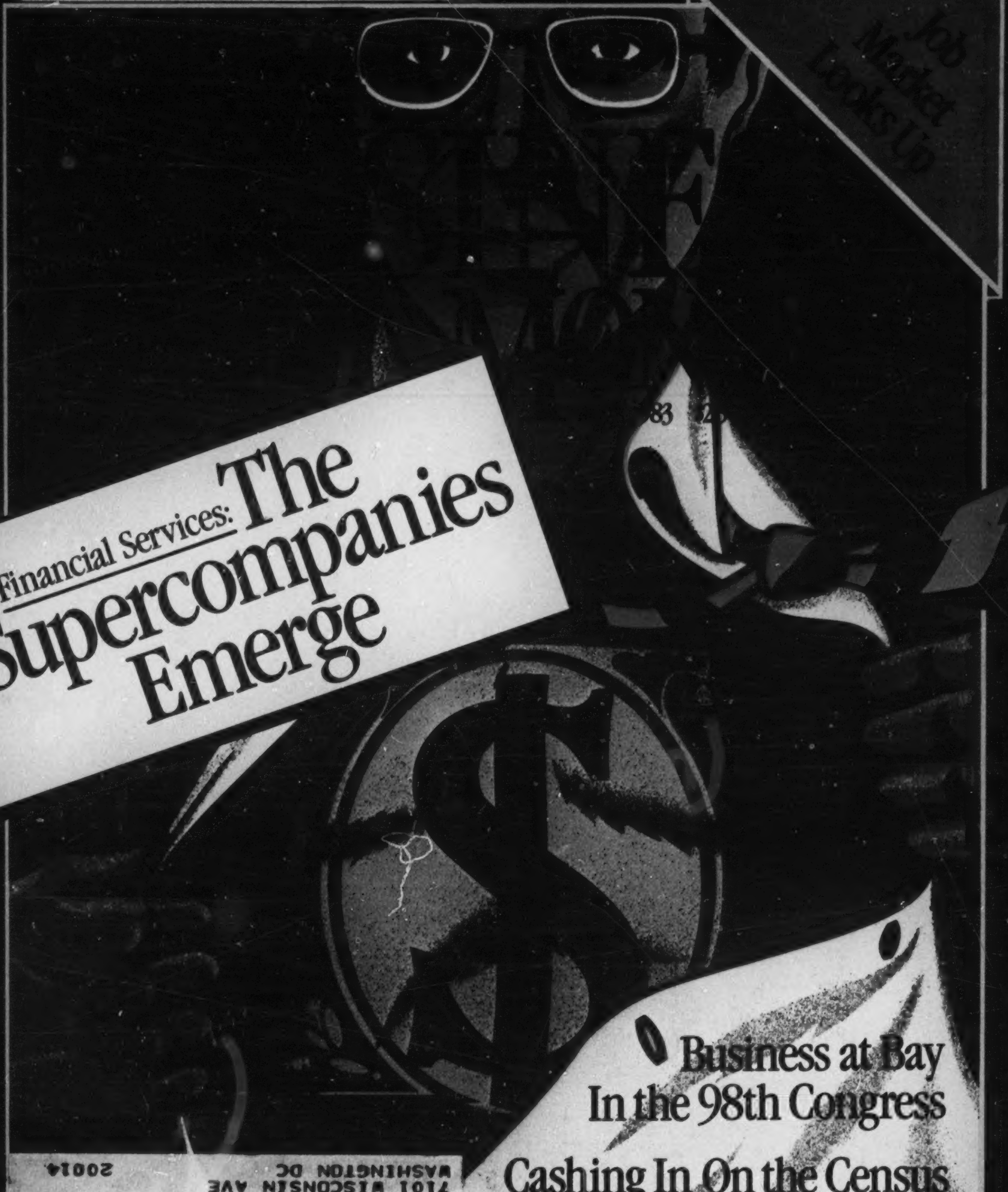

Job Market Looks Up

83 $2

Financial Services:

The Supercompanies Emerge

Business at Bay In the 98th Congress

Cashing In On the Census

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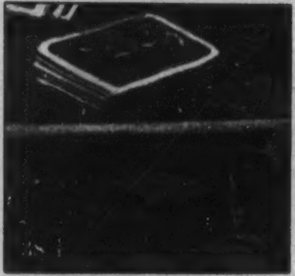
DUN'S
BUSINESS
MONTH

April 1983, Vol. 121, No. 4

Feature Departments

High-Stakes Poker on Capitol Hill 38
The President and the Speaker both hold good hands—and business is caught in the middle.



MONEY & MARKETS

Financial Services: The Supercompanies Emerge 44
(Cover Story)
Six big contenders are battling for market share in a fast-changing, competitive business.

Cashing In on The Census 52
Responding to data from the 1980 head count, companies are in hot pursuit of newly perceived markets.
- **Three M's Unusual Approach**

The Job Market Looks Up 60
A Dun & Bradstreet survey foresees 2.5 million new jobs this year.
- **Arnold R. Weber: The big risk in labor's new strategy**

MANAGEMENT

Uproar Over the Annual Meeting 64
Watching over shareholder participation is one job the SEC wants to quit—but somebody's got to do it.

The Ambitious Student Entrepreneurs 70
Hundreds of college students are embracing the Establishment as proprietors of their own businesses.
- **A Charity Goes Capitalist**

INTERNATIONAL

Lloyd's of London's Lost Luster 80
Stung by scandals and stunned by new competition, the venerable insurance market is trying to burnish its image.

The Business Month

ECONOMY

Fizzling recovery? 25
Record bankruptcies

WASHINGTON

"Sewergate" fallout 25

LABOR

Steelworkers' givebacks 25

INTERNATIONAL

Voters' choices 26
Britain's pound coin
Spain's bank crisis
Polly Peck's plunge
Fraud crackdowns

MONEY & MARKETS

Bell ratings cut 28
Whither the market?
Heller's switch
Discounters' bigger bite

COMPANIES

No monopoly on Monopoly 33
Juki takes on IBM
Atari heads east
Beatrice changes course
GAF proxy fight
AM International's black ink

MANAGEMENT

Medical coverage change 35
Mobil's 'libel' insurance
Thiokol's golden chutes

MARKETING

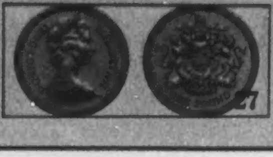
Diet Coke clicks 36

TECHNOLOGY

Coal-fired engine 36

PUBLISHING

TV Guide's new rival 36


27

FIRST PERSON

The Sourpuss Syndrome 89
A retired executive decries don't-give-a-damnism among service employees.

Letters 5
Cooking the books

The Managers 95
A gallery of the month's newsmaking executives

Managing Information 99
Choosing data bases

Personal Finance 103
- *Tuning in to business news*
- *Exceptional chemical stocks*
- *Saving art from estate taxes*

Financial Services:

The Supercompanies Emerge

Six companies lead the pack today. But it will take wads of money and plenty of savvy to stay ahead.

For years, industry observers have used the future tense when talking of financial supermarkets that would serve the consumer's every need in banking, credit cards, insurance, investments, real estate and so on.

Well, the future has arrived. A handful of financial services supercompanies has clearly emerged: Sears, Roebuck and Co., Prudential-Bache Securities, BankAmerica Corp., American Express, Citicorp and Merrill Lynch & Co. Each of these supercompanies (they don't like to be called "supermarkets") can already serve customers in at least three of the five major financial areas *(chart, opposite),* and they are all working to extend their reach and penetration. Meanwhile, coming on strong are Travelers, Transamerica, Aetna, and Security Pacific Bank, among others.

These financial conglomerates have come along much faster than expected because of profound changes in insurance, banking and securities wrought by the interplay of high interest rates, technology and deregulation.

Mesmerized by high rates, consumers grew disenchanted with their historical investments. They took money out of passbook savings, borrowed on insurance policies, cashed in whole life insurance policies and stopped leaving free credit balances with brokers.

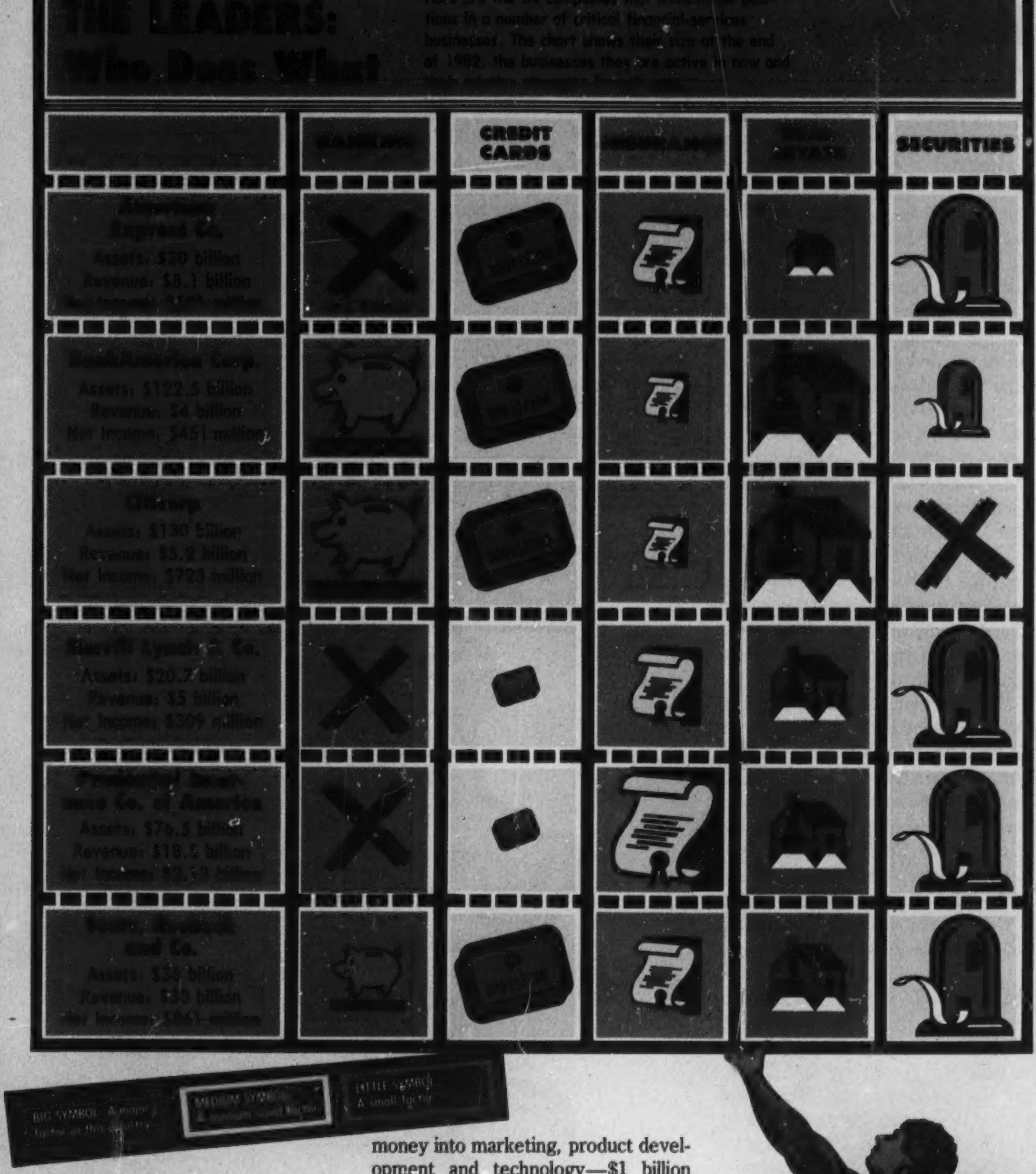
Deregulation—legislated and *de facto*—gave rise to a slew of investment alternatives, and computers and 800 telephone numbers made it possible to buy them easily and cheaply. Faced with these changing consumer preferences, bankers, insurers and brokers are being compelled to find new revenues and profits centers.

There is plenty to be had. Americans spent $200 billion for financial services last year, and the suppliers of these services earned an estimated $42 billion—a mouth-watering 25% margin. Moreover, consumers have some $4 trillion in financial assets. And just as the federal government subsidized housing development in the 1950s, it is now stimulating financial services with tax breaks for Individual Retirement Accounts and capital gains. The potential for consumer financial business and profits, says vice chairman John Reed of Citicorp, is "larger than corporate banking."

Federal tax breaks

Because the stakes are huge and the competition is national in scope, the biggest players are likely to dominate in the years ahead. "This is a classic Darwinian situation," says corporate planner Steven McLin of BankAmerica. "The strongest and most adaptable will survive." Agreeing, director Ty Auer of SRI International's financial industries center predicts that ten years from now the bulk of personal financial business will be done with at most two dozen companies. Still, there will be room for some others: regional giants, small "niche" companies that cater to a narrow population segment and specialty companies that have positioned themselves to do one thing superbly.

While they're already on the scene, the financial services supercompanies still haven't evolved into the final form, or forms, they will take. For one thing, legal barriers still hinder the entry into some businesses. Banks are barred from insurance (except for credit policies), from investment banking and from interstate branching. Securities brokers that own investment banking operations are barred from banking. (To compare



their activities in key areas, *see chart, page 46.*) Moreover, since there hasn't been a model supercompany to learn from, no one is sure what combinations of businesses will prove to be the winning ones.

It is generally agreed, however, that the learning experience is going to be expensive. "Tuition will be paid," Citicorp's Reed jokes. The financial giants are already sinking wads of money into marketing, product development and technology—$1 billion just for automated teller machines (ATMs), for example. Reed estimates that to mount an ad campaign in an effort to establish a national image, a company must spend $60 million a year. And money alone won't guarantee success. The companies will also need a sharply defined strategy and a savvy organization to execute it.

The upcoming battle over their investment dollars is good news for con-

sumers. "They are going to clean up," predicts group vice president Christopher Snyder of Data Resources, Inc. Consumers will be swamped with an avalanche of new products and services. ATMs and central assets accounts, such as Merrill Lynch's Cash Management Account, and universal life insurance are just the first wave (for others, *see page 48*).

As in airlines, deregulation will force prices down where competition is hottest and cause unbundling and separate pricing (typically, higher pricing) of services that formerly were subsidized. When giant banks spend heavily to advertise that they are discount brokers, too, the intensified competition is expected to cause securities commissions at full-service firms to edge downward. Even that sacred cow, the 6% home sales commission, could get pared if the national forces of Sears' Coldwell Banker Real Estate and Merrill Lynch Realty Associates confront each other.

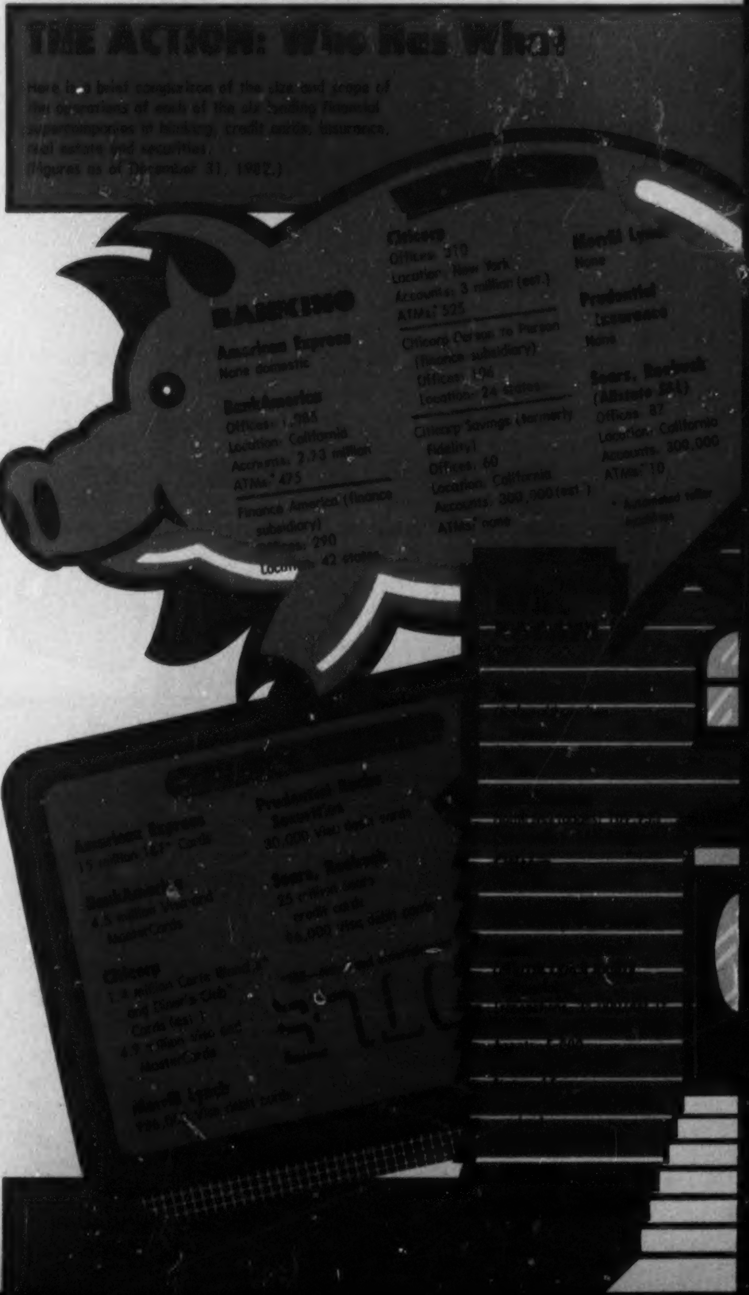
On the other hand, free checking will disappear from small town America, as it has in big cities, and depositors will learn that it can be costly to have a check bounce, says Harvard Business School professor Michael Porter. Adds Citicorp's Reed: "Net, net, consumers should look for richness in products and cheaper costs."

One area in which the competitors will join battle is over the business of the well-heeled, typically defined as the family with income of $50,000 or more a year. This is the prime market for brokers, bankers, travel and entertainment (T&E) credit and card purveyors and insurers. "Every competitor is shooting for the very upper end, because in a service business one call that yields X dollars is obviously more valuable than one call that yields one-half X dollars," says executive vice president John Heilshorn of Citicorp. But there are only 3.2 million households in the group, and most experts fear that with every large and small financial institution pursuing them, nobody will make a profit.

Current leaders in the market are the companies with the timeliest products and the most aggressive sales force—the securities firms. And among them, Merrill Lynch is the one to beat.

As the biggest, the best-known and the acknowledged leader in product innovation, Merrill Lynch's strategy is "to be all things to some people." This comes down to being first with the products that the well-heeled want and having a product to match each need—insurance, savings, investment. Complex products such as annuities and tax shelters are high-mark-up items that require personal service and information—and salesmanship. These products can't be merchandised from a supermarket shelf, notes planning director Wallace Sellars of Merrill Lynch. "You can buy a jar of peanut butter on impulse, but you can't put on a butterfly [option] spread that way," he adds.

As a product innovator, Merrill Lynch set the pace with the Cash Management Account (CMA). It gives the customer a Visa debit card, a checkbook, automatic borrowing privileges and a very attentive account executive in exchange for a $20,000 deposit of cash or securities, or both, and an annual fee. Merrill Lynch believes that the breadth of its product line is critical



THE ACTION: Who Has What

Here is a brief comparison of the size and scope of the operations of each of the six leading financial supercompanies in banking, credit cards, insurance, real estate and securities.
(Figures as of December 31, 1982.)

BANKING

American Express
None domestic

BankAmerica
Offices: 1,[illegible]
Location: California
Accounts: 2.33 million
ATMs:* 475

Finance America (finance subsidiary)
Offices: 290
Location: 42 states

Citicorp
Offices: 310
Location: New York
Accounts: 3 million (est.)
ATMs: 525

Citicorp Person to Person (finance subsidiary)
Offices: 196
Location: 24 states

Citicorp Savings (formerly Fidelity)
Offices: 60
Location: California
Accounts: 300,000 (est.)
ATMs:* none

Merrill Lynch
None

Prudential Insurance
None

Sears, Roebuck (Allstate S&L)
Offices: 87
Location: California
Accounts: 300,000
ATMs:* 10

* Automated teller machines

American Express
15 million T&E* Cards

BankAmerica
4.5 million Visa and MasterCards

Citicorp
1.4 million Carte Blanche and Diner's Club Cards (est.)
4.9 million Visa and MasterCards

Merrill Lynch
[illegible] Visa debit cards

Prudential-Bache Securities
30,000 Visa debit cards

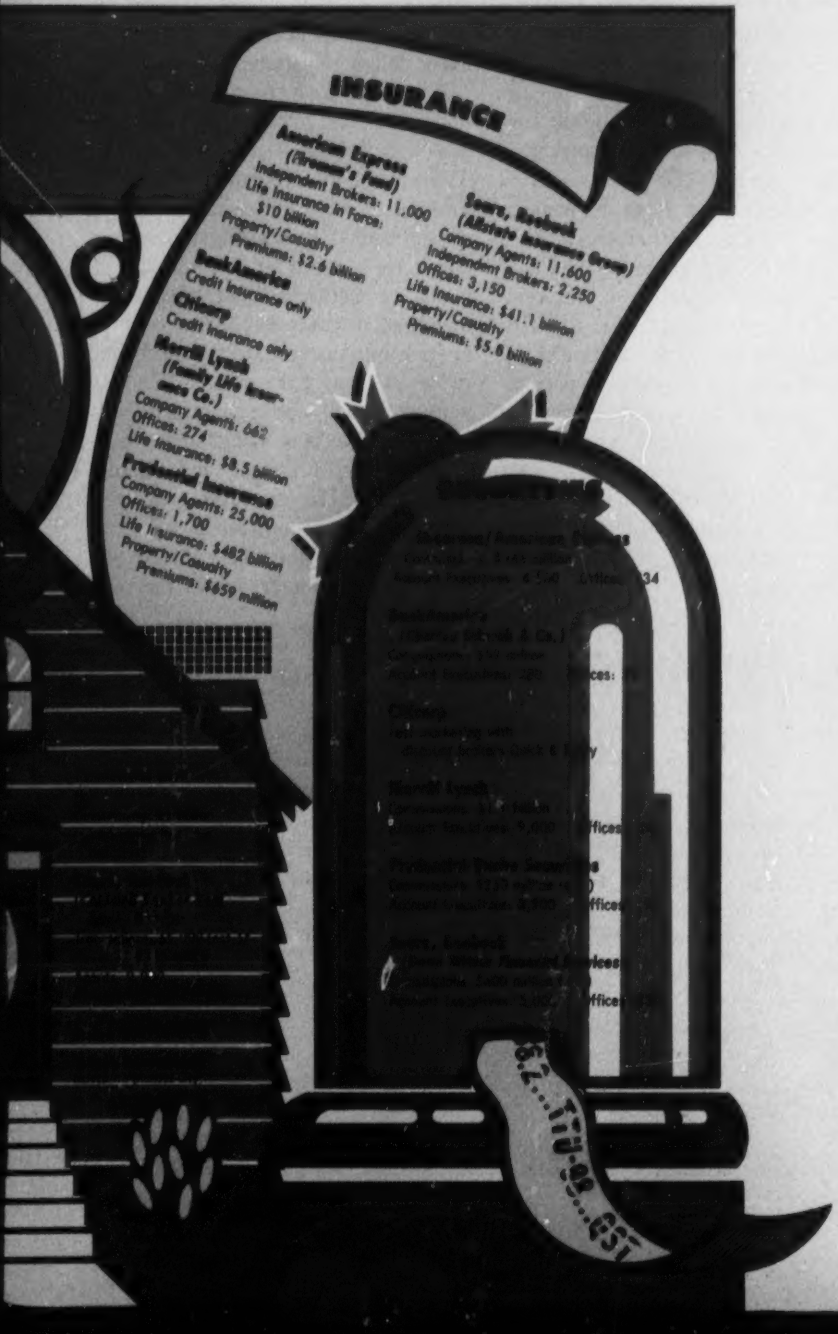
Sears, Roebuck
25 million Sears credit cards
16,000 Visa debit cards

to its success in capitalizing on its relationship with customers. "We do not wish our customers to go to our competitors for some specialized products. They might develop bad habits," says Sellars. Thus, the company has packaged 106 securities products ranging from bank CDs to tax-exempts and governments in varying maturities, from Ginnie Mae unit trusts with check-writing privileges to tax shelters in units that are easy to buy and sell.

Among the other contenders, the insurers are perceived to be behind in product development and thus they are unable to capitalize on their relationships with high-bracket individuals. The Pru has repeatedly said that with the acquisition of Bache, it hopes to get more upscale customers and develop more products to sell its regular insurance customers.

The banks are lagging furthest behind because they have the fewest salespeople dedicated to supplying personal services. "Bankers are going to have to learn to sell as well as securities and insurance brokers," admits Citicorp's Heilshorn.

Affluent customers are great, but the supercompanies plan to concentrate most intensely on the vast middle market of families earning $20,000-to-$50,000 a year. As President and Chief Executive Officer George Ball of Prudential-Bache Securities observes: "The company that can profitably serve the middle-income investor is going to make a potload of money, because there are tens and fifties of millions of people in that middle-income category."


INSURANCE
American Express
(Fireman's Fund)
Independent Brokers: 11,000
Life Insurance in Force:
$10 billion
Property/Casualty
Premiums: $2.6 billion
BankAmerica
Credit insurance only
Citicorp
Credit insurance only
Merrill Lynch
(Family Life Insurance Co.)
Company Agents: 662
Offices: 274
Life Insurance: $8.5 billion
Prudential Insurance
Company Agents: 25,000
Offices: 1,700
Life Insurance: $482 billion
Property/Casualty
Premiums: $659 million
Sears, Roebuck
(Allstate Insurance Group)
Company Agents: 11,600
Independent Brokers: 2,250
Offices: 3,150
Life Insurance: $41.1 billion
Property/Casualty
Premiums: $5.8 billion

In this arena, "no company has a leg up," says Pru vice chairman Frank Hoenemeyer. Each must devise a business strategy that will define what businesses it will pursue. Most financial supercompanies will need a broad and diversified base of revenues, because many activities are alarmingly cyclical. The ups and downs in real estate, property and casualty insurance and securities do not normally come at the same time, but there is no guarantee that this pattern will continue. And when home sales are off or the insurance cycle ebbs, the company better have banking or bond or commodity revenues to cover the overhead.

Thus, the leaders are expanding into new businesses as fast as the law and technology will permit. Among them, the large insurers are aggressively acquiring small securities firms, money managers and mortgage bankers. These acquisitions are a cheap form of R&D, notes President Alexander Clark of New York's John Alden Insurance Co. "Buying a foothold in every conceivable financial service is a way of participating in every business because no one is sure what the hot areas will be in 1990," he adds.

Cheap form of R&D

Geographic diversification is also necessary to cover the costs and enjoy the economies of scale of mass marketing. But none of the contenders has yet established itself nationally as a middle-market financial services supplier. The national ad campaigns have just begun. Sears probably is the most widely known—surveys indicate that 95% of U.S. adults visit a Sears store at least once a year—and "customers trust Sears," says security analyst Robert Byrne of Dallas' Rotan Mosle. The company began a $12 million TV and print blitz to change the fact that few customers know that Sears is a financial services company.

Merrill Lynch has a strong franchise among securities traders, but securities are bought frequently only by a small segment of the population. The banks have little national recognition among consumers (to help establish its identity, Citicorp recently changed the name of its California S&L to Citicorp Savings). American Express has a respected name in the travel and credit card business, but is barely recognized by consumers as an insurer or a securities firm. And Prudential-Bache is identified with only two products—insurance and securities.

The buzzwords in financial services marketing these days are "life cycle." Ordinarily, consumers first buy banking, insurance and credit card services, then a home. Only as they age do they buy high-profit items such as stocks and bonds. At the same time, market research indicates that "people don't like to change suppliers of financial products," says Sears executive vice president Philip Purcell. "They don't change bankers or brokers easily." Thus, catching consumers early is critical if a company wants to cross-sell them a full line of financial products and bind them to the corporate bosom for life.

Just as *Time* magazine sells discount-rate subscriptions to college students to get them in the *Time* subscription habit, American Express lowers its credit standards for college seniors when it solicits them for green cards before they graduate.

Each company has strategies for corralling customers from outside its traditional marketing base. Banks have a natural edge in getting customers first as long as cash and checks remain the centerpiece of financial transactions, but they are moving into discount brokerage to gain access to richer customers. BofA's McLin reports that Schwab has 250,000 customers with household incomes that average around $60,000, which is "very upscale in terms of the banking market." Taking another tack, Sears and Merrill Lynch are using their corporate relocation services and real-estate brokerage operations to introduce themselves. "Participating in the sale and financing of a home is particularly attractive because it occurs at a time when old financial relationships are broken and new ones established," says Merrill Lynch's Sellars. And Sears is using financial services centers in its stores as another way to get new clients.

Corralling new customers

Increasing the number of revenue streams is only one side of every company's plan to compete successfully in financial services. The other side is cutting costs. In dealing with both well-heeled and middle-market customers, low cost producers will have a useful advantage.

The most drastic change—and the most visible—is the shift to mass marketing from personal selling. Particularly in middle-market activities, personal selling is increasingly uneconomic. Individuals are rapidly becoming attuned to dealing with machines and 800 telephone numbers, and these, plus home computers, direct mail and salaried personnel, will be the major delivery systems.

The banks are leading in this revolution, and the ATM is the beginning of a profound change in their operations. The economics are compelling. For example, Citicorp, like most money center banks, was losing money on consumer banking for years. In 1977, it started installing ATMs. Including overhead, it costs $40,000 a year to operate one machine, and it performs twice as many transactions—72,000 versus 36,000—as a human teller, who costs $46,000, including depreciation, salary, premises and related equipment. The average cost per transaction is 55 cents for the machine versus $1.27 for the teller. Moreover, New York consumers loved the ma-

Managing Your Money Ain't What It Used To Be

New technologies have already radically changed the way Americans handle their money, and even more changes are on the way.

Citibank pioneered the automated teller machine concept in 1977, and now it is hard to find a bank of any size without them. ATMs now do most transactional business. Soon, they will do even more, such as open accounts and originate loans. These advanced ATMs will eliminate the need for many branch personnel; in fact, some banks are currently experimenting with micro branches that have a number of ATMs but only a single bank employee to answer questions and perform special functions.

The central assets account is another benchmark in the financial services revolution. Introduced in 1977 by Merrill Lynch and since cloned by other brokerage firms and banks, the now-familiar account electronically links a margin brokerage account with a money fund, checking account and Visa debit card, giving investors hassle-free and more efficient use of their money.

In a variation of the second mortgage, several firms have begun offering an account that gives consumers a personal revolving line of credit based on the equity built up in their homes. The line can be tapped with a special check or Visa card and can be used for just about anything. There is an estimated $2 trillion in untapped home equity in the country.

Home banking "will explode" in the next two years, predicts John A. Farnsworth, who is in charge of Chemical Bank's Pronto home banking system. He reports that about twenty banks are already running experi-

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chines. In four years, Citicorp doubled its market share in New York, and in 1981 its consumer banking unit turned the corner and became profitable.

The machine, plus the 800 telephone number, plus direct mail are expected to determine the course of interstate banking. In the next few years, there will be machines that open accounts and grant loans, and the need for personal service and brick-and-mortar facilities will be sharply reduced. Bankers believe that discount brokers and money market funds have proven that marble columns aren't necessary. Customers send checks through the mail and transact big-ticket financial business over the phone, and there are now a substantial number of people experienced in doing that. Thus, the banks are less likely to pay fancy prices to buy local banks in other states, when that becomes legally possible. They will probably have offices in every locale (people prefer to know there is a place in town, if necessary), but not on every street corner.

Brokers, too, are beginning to use alternatives to the account executive. Merrill Lynch currently has salaried (as opposed to commissioned) service representatives in half its offices and plans to have them in all offices by year-end. These staffers accommodate walk-in clients who are interested in low-ticket purchases such as money market funds, mutual funds or odd-lot sales. To insure that the transaction is suitable, the customers fill out a financial profile. If they seem likely prospects for more profitable business, they are turned over to an A.E.; otherwise, the staffer helps. The service representatives are supposed to keep the profiles, and the customers may be targets for future sales efforts.

Another major low-cost distribution system is selling individuals at work. Insurers such as the Pru and the Fireman's Fund have begun marketing both investment and insurance products through corporate benefit programs at so much a pay period. For a minimum investment of $5 a week, employees choose tax-sheltered annuities, corporate IRAs and low-cost insurance. Senior vice president Frank J. McCormick of the Fireman's Fund reports that his company has signed up 832 firms, large and small, in the past year and that the participation rate among employees is 63%.

Selling employees

For the foreseeable future, two big exceptions to the shift to mass marketing from personal selling will be home buying and insurance, says Harvard's Michael Porter. Because middle-income families have so much at stake in these infrequent purchases, they are willing to pay up for the service involved. Thus, the Pru and other insurers will be under less competitive pressure to find cheaper ways to sell their products and can take more time to diversify into other businesses.

In addition to reducing distribution costs, companies are trying to save money on products. One cost-cutting product strategy that is becoming more widespread among securities firms is vertical integration—that is, making the investment product oneself. For example, American Express bought Balcor, which puts together and manages real-estate syndications, which Shearson/American account executives sell to investors. Merrill Lynch's Sellars says: "It is only natural for all of us to prefer to sell our own real-estate or oil-and-gas limited partnerships rather than offer someone else's. These offer us a continuing stream of income that is cumulative and not transaction-oriented."

For companies that don't want vertical integration, or can't afford it, there is networking—that is, buying products and services from others and then retailing them. This fills out a company's product line and saves money, too. For example, banks that want to offer home banking without investing in it can buy it from others, such as Chemical Bank in New York.

Finally, technology—both data processing and communications—will

ments, piping data into the home via telephone or cable lines and displaying it on a terminal or television set. At the moment, a user can check his bank balances, review past statements, transfer funds, pay bills and send messages electronically to the bank.

Not only do users like the control and convenience of the systems, according to the test results, but they are eager to do more. This will be possible in the next few years, when the basic package is enhanced to include news, weather, educational databanks, investment services, theater and sports ticketing, and shopping services, among other things. The only thing the systems will not do is dispense cash. Customers will still have to visit their friendly cash machines for that.

In time, the experts say, Americans won't even need cash machines. By the year 2000, they will have a substitute for cash, predicts Ty Auer, director of the financial industries center of SRI International. "It will probably be some electronic individual identification that we can carry and use everywhere," he explains. In fact, such a device already exists and is being tested by industry and the government. It is the Smart Card, a microchip embedded in a plastic card that carries a person's identification and bank balance and that can make an instant debit to the account when the card is used to pay for goods and services.

Along with these electronic checkbooks, people will also have instant access to the stock market with a wrist-watch-like device, says James F. Settel, senior vice president of Prudential-Bache. He believes a cellular radio system will carry stock quotes to a specially designed wrist watch that will display the quotes digitally. To place an order, a person will speak into the watch, just like Dick Tracy.

—M.S.L.

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play an increasingly significant role in increasing efficiency. Some companies are investing heavily now, even though the contribution technological investment makes is hard to measure. Citicorp has its own hardware/software company in California employing 450 people, and it has spent $500 million in development because it believes that proprietary technology gives it an important competitive edge. American Express maintains that its low-cost set-up for processing data gives it a key advantage, and senior vice president Harry Freeman estimates that the company spends $300 million-to-$400 million a year on hardware and software. The company intends to be the low-cost producer in processing financial transactions.

Thus, the factors companies can control—their business strategy, marketing prowess, efficient operation and technological investments—are likely to determine the leaders in financial services in 1990. But the uncontrollables will play a role, too.

The uncontrollables

Interest rates and the economic climate will favor some participants over others; low rates, for example, help banks in their battles with money market funds. The regulatory climate will also shift advantages from one group to another; the longer it takes for banks to operate interstate or sell insurance, the more time their competitors will have to establish primary relationships with consumers. And the role of technology—its costs and its unpredictable product breakthroughs—could create new competitors or eliminate old ones. Many in the industry believe that computers and telephones will play such a large part in product cost and delivery that the big competition to worry about is not each other but AT&T and IBM.

Thus, the 1980s promises to be a decade of high drama in the business of financial services. A huge American industry, fragmented until now, is consolidating and entering a new age.

—Arlene Hershman

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Cashing In On the Census

The 1980 national nose count is a treasure trove of information for companies seeking new profit opportunities.

Ever since a Roman emperor proclaimed that citizens who failed to cooperate with the census taker would be whipped and sold into slavery, the practice of periodically counting a country's noses has been serious business. The 1980 U.S. census, the nation's twentieth decennial tally, produced 3 billion separate statistics and some striking revelations about how many Americans there are, what they work at, where they live (and with whom) and how they are doing as measured by income and creature comforts.

These seemingly deadly dull statistics are a treasure trove of vital information not only for government but for virtually every business seeking to translate the demographic data and the projections drawn from them into new profit opportunities. Companies are already responding to the 1980 census with new products for newly perceived markets. And the consulting firms that analyze the census data (*box, page 54*) are doing a land-office business in site and market evaluations for a rapidly expanding corporate clientele.

A few of the assignments the demographic data firms are now working on: a large communications company wants to know the likeliest places to establish retail phone centers; a big retailer wants data on residential growth areas as a means of deciding where to open home-improvement centers; an expanding pay-TV company is waiting for a report on the best places to lay its cable; and a Midwestern bank has asked one data firm to locate investors who can afford to plunk $50,000 or more into its money-market account.

All told, the experts see vast marketing implications in the 1980 census.

Dramatic change

In fact, they say, the data it revealed heralds the advent of a new breed of consumers. "In terms of family size, household formation, ethnic makeup and even social mores, we are changing—and changing dramatically," says Donald C. Wood, vice president and general manager of Stamford, Connecticut's Donnelley Marketing Information Services, whose consumer data base of 72 million U.S. households is said to be the world's largest.

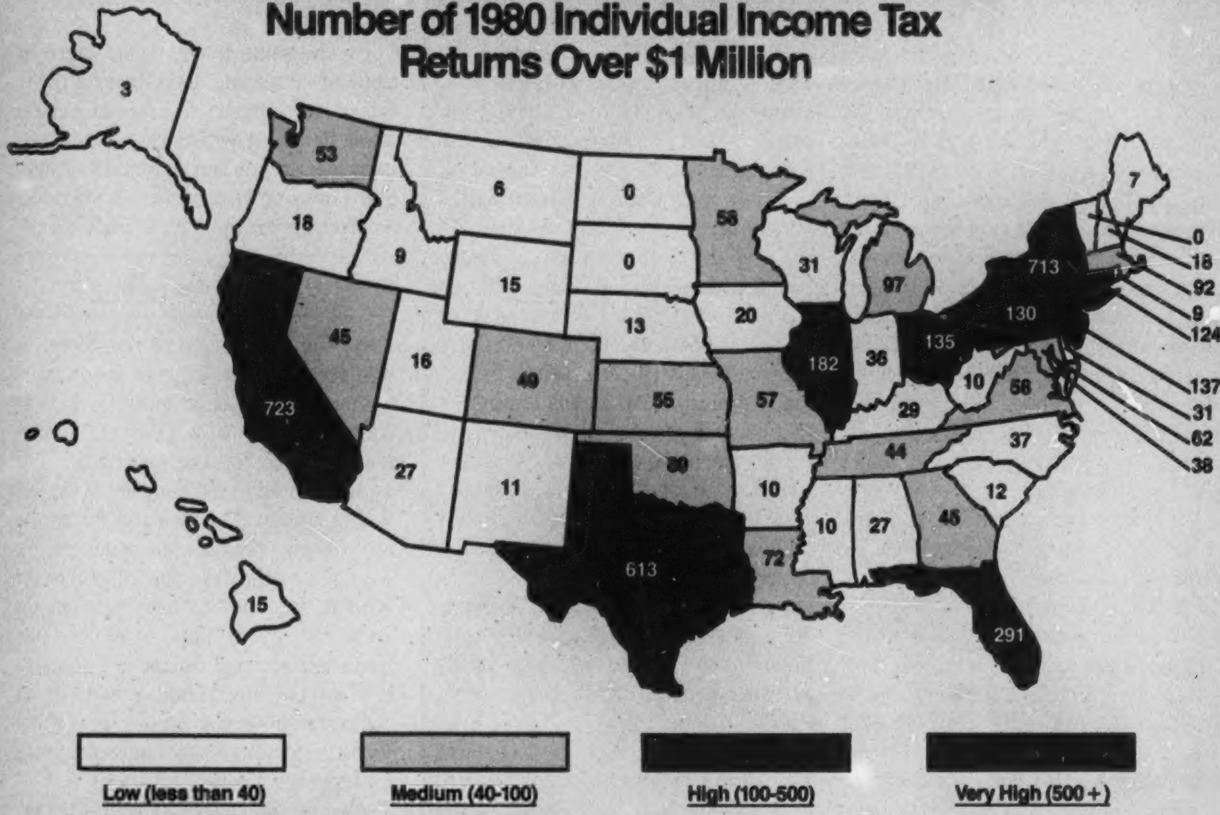
The data shows, for instance, that while the number of Americans has increased 11% to 226.5 million since the 1970 census, that is the lowest growth rate—not counting the Depression years—since the country's founding. Moreover, low growth is expected for the remainder of the century. By the year 2000, computer projections anticipate a growth rate of only 7%, which is disturbing data for everyone from baby food processors to college presidents.

As for population shifts, fully 90% of the nation's population growth centered in the Sun Belt over the past decade. And for the first time in U.S. history, metropolitan centers grew at a slower rate than non-metropolitan areas. Black population jumped by 17%, well beyond the 11% growth of the total population, and the most dramatic increase was registered by Hispanics, whose numbers leaped by 61%.

The census also shows that while the number of households increased

STATE OF THE WEALTHY

Number of 1980 Individual Income Tax Returns Over $1 Million



Thanks to advanced computer capabilities, demographic data firms can instantaneously transform statistics into illustrations such as this map showing where the nation's biggest taxpayers live.

Source: 1983 Donnelley Marketing Information Services

27% (more than twice the population gain) to 80.4 million during the decade, household size decreased markedly from 3.11 persons per unit in 1970 to 2.75 persons in 1980. The typical American family of wage-earning husband, homemaker wife and two children now represents only 7% of households. What's more, although married couples are not exactly threatened with extinction, demographically they are barely surviving as an institution.

The proliferation of other kinds of family units is partly due to a 50% hike in divorced parents with dependent children. But the most startling statistic is the growth of non-family households. The number of individuals living alone and non-related persons dwelling together has leaped 71% since the 1970 census; and for the first time in the nation's history, fully half of all households consist of only one or two persons.

In confirming that the population is aging, the census reported that the median age of Americans is now 30, compared with 28 in 1970—a substantial jump, according to demographers. Of even greater importance for marketers, the number of Americans aged 65 or older has increased 27.5% to 25.5 million. Senior citizens now constitute about 12% of the population and will comprise perhaps 18% by the year 2000.

As noted, since the final census report was turned in two years ago, companies have lost no time in developing new products and repositioning existing ones in pursuit of the changing American marketplace. On the food shelves, for example, the trend to smaller households is being catered to by everything from Campbell Soup's little cans of Soup-For-One to whole menus of frozen entrees in single-serving portions by a number of food processors.

By the same token, while there is nothing a leading baby-market producer like Johnson & Johnson can do about declining fertility rates, the company has already repositioned its Johnson's baby powder and baby shampoo as products for the entire family. Similarly, the emergence of the 25-to-34 age group as the biggest single consumer market has prompted J.B. Williams Co. to change Geritol's appeal from a tonic for the elderly to one equally suited to the busy life-styles of young adults. The demand for more convenient, time-saving products by young householders has also moved Arm & Hammer to hawk its baking soda as everything from an air freshener and rug cleaner to a deodorizer for cat litter. And a number of radio stations are even changing their formats to meet the music-listening preferences of older audiences.

Finding the focus

Also in response to the more mature consumer, Bulova Watch Co. has brought out a line of watches with large numerals, and the Clairol Products division of Bristol-Myers Co. is test-marketing I Like My Grey, a hair-color enhancer aimed at older women. In fact, Bristol-Myers' 1982 annual report contains a special hair-coloring report based on the fact that America's baby-boom generation is starting to age. "As the population ages, our core of customers increases significantly," explains Clairol President John Melton. "Demographics are absolutely critical to our business, and we are exploring additional product opportunities based on what the census tells us."

In the years ahead, then, many a multimillion-dollar corporate decision will hinge on what the demographers turn up. Until 1990, that is, when the next national nose count could make for a whole new ball game.

—ROBERT LEVY

Heyday of the Demo Data Firms

Their language bristles with such argot as *centroids, tracts* and *cluster analysis*. Under such acronyms as ACORN (A Classification of Residential Neighborhoods), DORIS (Demographic Online Retrieval Information System) and PRIZM (Potential Rating Index for Zip Markets), their respective data products can: map the most productive routes for a national sales force, draw a customer profile for every telephone exchange in the country, classify the residents of any postal zip into one of forty socioeconomic groups, report by number and name the people under 29 years of age who live in a given neighborhood, run off a color-coded map showing where America's wealthiest taxpayers reside (*page 53*), and much more.

They are demographic data firms, and since the 1980 census their computerized services have been in greater demand than ever before. According to *American Demographics*, the field's authoritative trade paper, there are now 46 concerns in the business, most of them younger than the 1970 census. Compared with gross billings of perhaps $5 million ten years ago, the industry is, by one estimate, a $40 million business. Says David Glazer, senior vice president of Bill Communications' 32-year-old Market Statistics, the dean of the demo data firms: "There has been substantial growth in the acceptance of demographics for marketing purposes."

The field generally is divided into research and forecasting services, which develop specialized programs, and other firms that offer data bases and software packages. "Essentially, what we sell is highly privileged information," advises George Moore, vice president of Arlington, Virginia's C.A.C.I., a leading firm noted for its early development of a computerized site-analysis system. "We tell our customers where their sales prospects are and how to get them."

Highly competitive, the data firms try to top each other with a flow of unique demographic programs. Geographic Data Technology of Lyme, New Hampshire, for one, is putting together a computer file locating the geographic center of every city block in the country. Kansas City's Visetar, Inc. has developed a system that allows the user to ask a computer virtually any demographic question and receive an answer in English. Arlington, Virginia's Claritas has a program that enables direct-mail advertisers to target the highest percentage of potential customers within a given zip code. And Donnelley Marketing Information Services, in addition to boasting the broadest data base of consumer households and auto registrations, has an exclusive system for estimating the sales potential of products as diverse as air fresheners, toothpaste and coffee.

The costs of such services can range from $150 for a straightforward demographic profile of a particular community to around $100,000 for access to a complete system, including computer time-sharing charges. But many of the data firms' current analytical—and graphics—capabilities would be impossible without the microprocessor, which has cut the once time-consuming and costly process of working up demographic data to almost instantaneous displays, printouts and maps.

Nor is the demographers' clientele confined to big corporations. Donnelley Marketing's Don Wood recalls the restaurateur who asked the firm to spot any location where there might be a demand for a new Mexican restaurant. In one day, the client received a detailed report on possible sites, including Hispanic population, traffic patterns and a demographic breakdown of the market. Reportedly, the restaurant he opened in Laredo, Texas, is a big success. —R.L.

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Dun & Bradstreet 5000

The Job Market Looks Up

In the first of a series of computer-based surveys of U.S. corporations, D&B found that the economy will gain about 2.5 million jobs this year.

There will be a 2.7% gain in total U.S. employment this year, about 2.5 million jobs, according to the first Dun & Bradstreet 5000 survey. Most of the job gains will come from small business, as many of the larger companies report plans for still more layoffs.

Especially striking is the finding that establishments with fewer than 500 workers will account for 74.6% of this year's job gains, although these firms account for only 43.6% of total employment. Moreover, 83% of this increase will be new jobs, not callbacks, further proof that small business is the main hope of future improvement in the nation's dismal unemployment rate.

These encouraging findings come from the first of a series of surveys drawn from Dun & Bradstreet's huge data base of information on more than 5 million business establishments. Results and an analysis of survey findings—which will deal with a wide variety of business topics, not just unemployment—will appear regularly in DUN'S BUSINESS MONTH.

The newly launched survey, called the Dun & Bradstreet 5000, should produce significant insights into business trends and the direction of the economy. The vast Dun & Bradstreet universe at its National Business Information Center closely mirrors the entire U.S. business world.

The survey sample of the Dun & Bradstreet 5000 firms was scientifically selected and then weighted so it accurately represents the more than 5 million enterprises on file. Phone surveys and field interviews will be used in order to update information on the sample of 5000 firms and a wide range of questions will be asked regarding important economic issues of the moment.

An outstanding response

An outstanding response rate greeted the first phone survey, which asked about hiring plans. Close to 80% of the firms selected were willing to answer employment questions and many volunteered additional information. This far exceeds the normal level of cooperation with major business surveys. Federal data collectors, for example, often find that companies are reluctant to volunteer even routine information to the government since they fear that it will be used against them.

In forthcoming issues, the survey will be used to produce information on a number of other key barometers of business health such as plant and equipment spending, plans to raise new capital and the outlook for inventories and sales. Industry categories will also be refined. By asking for sales breakdowns by major markets, it will be possible to determine more specifically each firm's line of business.

A midyear follow-up survey of the employment outlook is scheduled, to see if plans have changed. Clearly, big companies were in a cost-cutting frame of mind when the first survey was taken in January. The largest firms, those with more than 25,000 workers, expected less than a half-a-percent increase in employment.

These pessimistic plans may turn around, however, since the recovery is already stronger than many people thought it would be. If a 4%-to-6% real growth rate is achieved in the first

JOB GROWTH BY FIRM SIZE

American businesses plan to hire enough workers in 1983 to boost U.S. employment by 2.7%, according to the new Dun & Bradstreet 5000 survey. That works out to approximately 2.5 million more jobs, with most of the growth found in smaller establishments. Here is a breakdown of employment increases by size of firm:

Size of Firm	*Planned Job Increases*	*Share of Total U.S. Firms*	*Share of Total U.S. Employment*	*Share of Total 1983 U.S. Job Gain*
1-19 workers	5.7%	24.3%	14.3%	29.3%
20-100	3.7	18.5	15.9	21.0
101-499	5.0	14.5	13.4	24.3
500-999	1.1	6.7	5.6	2.2
1,000-2,499	1.0	8.7	7.5	2.8
2,500-4,999	5.8	7.2	6.7	14.2
5,000-9,999	0.9	5.8	4.5	1.4
10,000-24,999	1.0	7.6	6.5	2.3
25,000 and up	0.3	6.6	25.0	2.4

JOB GROWTH BY INDUSTRY

Some of the added jobs will be callbacks of previously laid off workers, but the bulk of expected employment growth will be new jobs. Here is a rundown by nine major industries:

Industry	*Growth*	*Callbacks*	*Real Growth*
Retail	4.9%	0.2%	4.7%
Wholesale	3.6	0.2	3.4
Services	3.2	0.3	1.9
Financial	3.1	0.1	3.0
Nondurable Manufacturing	3.0	0.2	2.8
Durable Manufacturing	2.6	0.5	2.1
Construction	1.9	3.0	−1.1*
Transportation Communications	0.5	0.2	0.3
Mining	−0.4	0.1	−0.5

**The callbacks and employment growth in construction reflect a sharp upturn in residential housing activity. But because of anticipated layoffs in nonresidential construction, real growth is actually negative for the industry as a whole.*

quarter, the hiring plans of large firms may well change.

The bright side of big business's caution on hiring is that it should lead to an unusually hefty boost in productivity during this recovery. Major corporations will add hours and increase output before they add more employees, which means corporate profits will be up strongly.

It is not surprising that most of the optimism comes from small business, since independent businessmen by nature usually have an upbeat view of the future. The combined effects of their decisions to hire are especially powerful, too, since adding just one employee to a small work force results in a big percentage increase.

Overall, the survey shows that approximately 23% of employers plan to increase their hiring during 1983 and 6% expect to decrease their work force. The remaining companies—nearly 71% of the total—anticipate no change in employment levels.

Among major industries, firms in the currently-depressed manufacturing sector have the most bullish outlook, with over 40% expecting to increase employment in 1983. Growth in most sectors will be real, involving new jobs.

Most growth is real

The survey's projected 2.7% gain in total employment will not, by itself, take the U.S. down to a comfortable rate of joblessness. But there could still be unexpected improvements in the employment picture as the year goes forward and large firms start feeling more confident about their future. An unknown factor is what will happen when the unemployed primary wage earner in a household reenters the work force. If other members of the household who are looking for a job to tide things over then drop out of the market, that could have a very positive impact on the unemployment rate.

—Joseph Duncan,
Chief Economist,
The Dun & Bradstreet Corp.

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(2/28/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock	**$18.61/share**	**$10,248**	**$13,713**
(Index fund, capital gains and dividends reinvested)			
per cent change		+2.4%	**+37.1%**
Bonds			
(30-yr., 11¾% Treasury Bond)			
MARKET VALUE	**$108.06**	**$10,460**	**$12,626**
ACCUMULATED INCOME		**$ 95**	**$ 1,373**
TOTAL		**$10,555**	**$13,999**
per cent change		+5.6%	**+39.9%**
Money Market Fund	**7.80%**	**$10,065**	**$10,308**
per cent change		+.7%	**+8.1%**
Gold	**$402/oz.**	**$ 7,919**	**$11,135**
(Krugerrands)			
per cent change		−20.8%	**+11.4%**
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	**$77,500**	**$80,500**	**$72,700**
per cent change		−3.7%	**+4%**
New House	**$87,500**	**$88,900**	**$ 97,300**
per cent change		−1.6%	**−10.1%**

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

The benefit of this trust is that deductions may be claimed based on the value of the work of art at the time that it was donated, and the heirs will not subsequently have to pay any taxes on it.

■ *Individualized trusts.* The usual beneficiaries are one's children or grandchildren. Many collectors fear that works will be sold at the time of their death, so they place them in a trust as a preventive measure. Sometimes, the concern is for the amount of inheritance taxes, but it is not uncommon that these trusts reflect tensions in the collector's family. For instance, if a child has a shaky marriage, a trust will insure that the collection is not divided up as marital property if there is a divorce.

■ *Commercial trusts.* Under these less common arrangements, the trustee buys and sells tangibles such as works of art during the period in which the trust is effective. The benefit is that one may legitimately avoid capital gains taxes on the profits of the sales.

Outside of trusts, one popular way to maximize deductions while making a charitable contribution is by donating a work of art in stages. A $1 million painting may be donated to a museum over a ten-year period, with the donor declaring deductions of $100,000 each year. This arrangement allows the museum to acquire ownership gradually over the ten-year period. Many institutions are happy to oblige a donor in this way.

Trusts that include art are not for every collector, since works of art pay no dividends, and illiquidity is something not every family can afford. They make sense for those whose interest in art is an overriding concern. With an understanding of the tax laws, their collections can be passed on and honored—a happy meeting of Muse and Mammon. —DANIEL GRANT

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Pensions In Jeopardy

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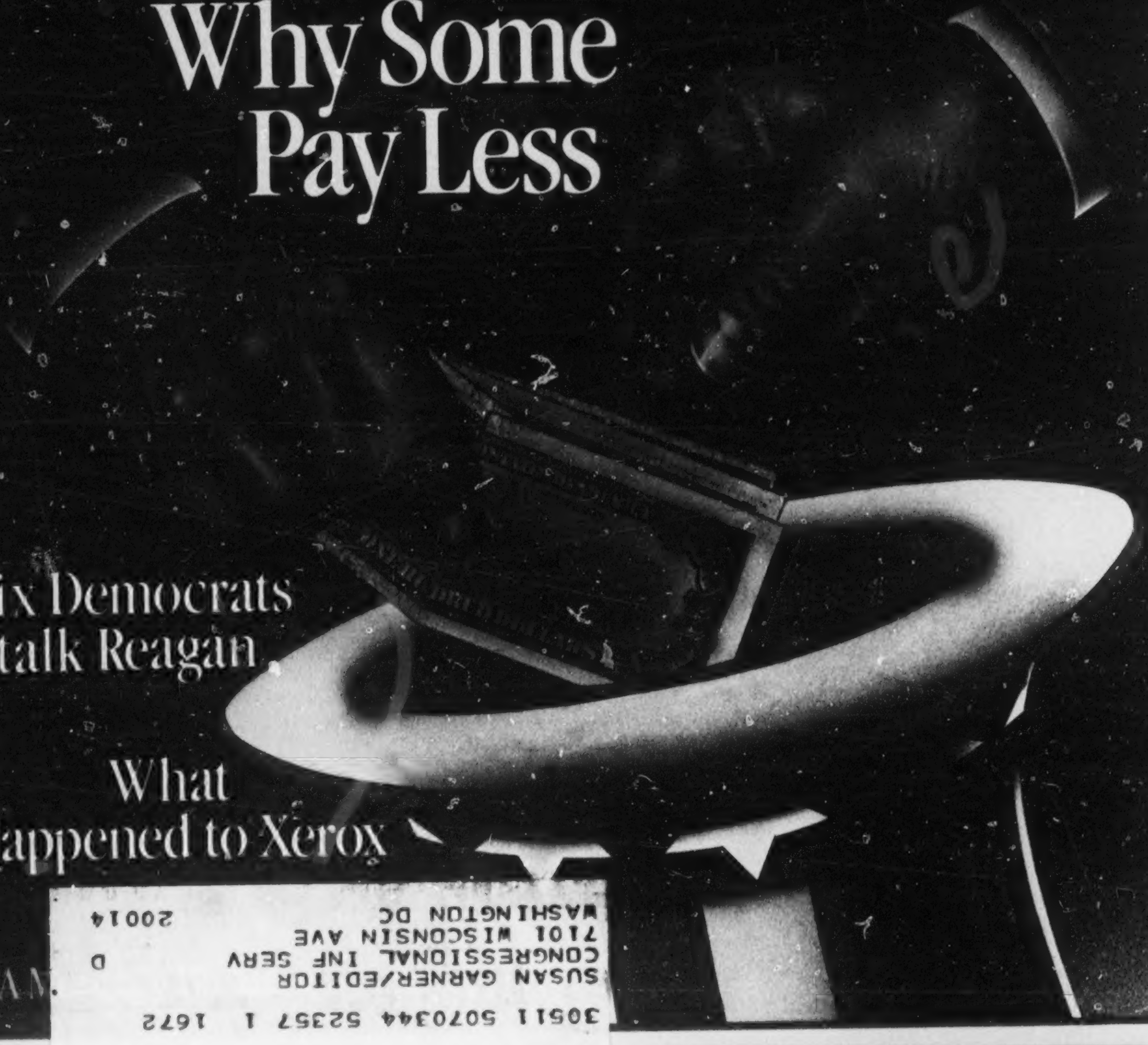
Corporate Taxes:
Why Some Pay Less



Six Democrats Stalk Reagan

What Happened to Xerox

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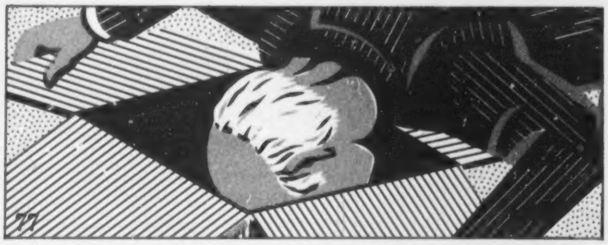
Feature Departments



ECONOMY

Corporate Taxes: Why Some Pay Less 36
(Cover Story)
It may be bad for the economy—but is it unfair?

- **Dun's 5000**
- **Gardner Ackley: Defending the Bipartisan Appeal**

WASHINGTON

Six Democrats Stalk Reagan 48
Despite the President's recent rise in the polls, he could be vulnerable.

COMPANIES

What Happened To Xerox 56
Complacency and misjudgment of the market cost the office giant dearly.

- **Bankers Trust's Winning Gamble**

INTERNATIONAL

How Good Are Country Risk Forecasters? 66
On the record, not very. But they are improving their techniques.

PRESIDENTS' PANEL

The Computer And the Top Honcho 72
Only a few chief executives use computers personally. But many more plan to do so soon.

MANAGEMENT

Pensions In Jeopardy 77
Many companies are turning away from expensive fixed-benefit plans.

CITIES & STATES

Corporate Compact With Boston's Schools 81
Business pledges jobs if the schools provide literate graduates.

The Business Month

ECONOMY

Confidence rises 21

WASHINGTON

Peace politics 21
Easing antitrust

LABOR

Top teamster sentenced 22

MONEY & MARKETS

Setting margins 22
Chrysler's stock sale
Bank-buying spree
Sci/Tech funds fly
Chicago Merc-CBOE deal

INTERNATIONAL

Japan's economic woes 24
France's austerity
East-West trade switch
Hong Kong car tax

COMPANIES

Paradyne case 31
Big Steel's British deal
Big bucks for bank name
People Express' jet buy
A&P's black ink
GE phone push

MANAGEMENT

Executive demand up 32
Rescinding pay cuts
Mergers doom CEOs

ADVERTISING

Lorimar buys K&E 34

[illegible]

CBS offers teletext 34

Letters 6
Close-mouthed companies

Biz Quiz 11
Comparative advantage

The Managers 104
A gallery of the month's newsmaking executives

Personal Finance 107
- *Storing valuables in hotels*
- *Strategy for a long recovery*
- *Fast-food franchises*

Managing Information 113
- *Looking into electronic mail*

Corporate Taxes: Why

There are stunning differences in the actual tax rates paid by companies. This is bad for the economy. But is it unfair?

When President Ronald Reagan declared that the corporate income tax was hard to justify, he added that he would later kick himself for saying so. "He was right on the second count," remarks a White House aide. But the President was at least partially right on the first count as well. While it may make sense to tax corporations, the way they are taxed is hard to justify, in the opinion of many experts.

For starters, the tax burden falls unequally—some industries are favored with special breaks while others are not. And whatever the tax bite, it's argued that consumers end up paying it in the form of higher prices. But fairness and inflation are not the major issues, some economists say. They worry that the current tax system, which encourages certain types of investment and business activity, is undermining the health of the nation's economy. "It distorts investment and reduces the rate of economic growth," maintains Brookings Institution tax expert Joseph Pechman.

As things now stand, the statutory 46% rate on corporate income is virtually a sham. Actual tax rates range from below zero to 39.7% on an industry-by-industry basis, depending on what tax breaks—such as accelerated depreciation, the investment credit or the offset for foreign taxes—apply to a particular line of business (chart, *page 41*). Even within industries, there's a surprising difference in the tax rate individual firms end up paying in a given year. For example, aerospace giant Northrop Corp. reduced its rate to a negative, −103.1% (which can be carried forward and applied against future tax liabilities), while Lockheed Corp. paid a 36.8% rate on U.S. income in 1981 *(page 38)*.

Many companies hotly dispute these numbers on "effective" tax rates, which are compiled by the nonprofit Tax Analysts research organization. But Joseph Minarik of the Congressional Budget Office and many other tax experts praise both the effort and the results. "We're lucky to have these numbers; they tackled a difficult job and did it well," says Minarik.

A tough job

Despite the quibbling over methodology, however, it's obvious that industry rates vary wildly—and that there are clear winners and losers. Generally speaking, capital-intensive industries that can take advantage of investment credits and accelerated depreciation get the biggest breaks. Some of the lowest effective rates on U.S. income in 1981 were paid by firms in transportation (−4.8%), shipbuilding (−1.2%), paper and wood products (4.0%) and mining and crude oil production (9.4%).

Commercial banks had the lowest rates of all, −12.6%, the Tax Analysts study found, in large part because banks have become capital-intensive too. "It has become extremely profitable for banks to purchase assets and engage in leasing transactions with other companies," says Tom Field, director of Tax Analysts. Senate Finance Committee Chairman Bob Dole, angered by the banks' hardball attempt to repeal withholding on interest, has made some not-so-veiled threats to do something about their low tax rates.

Less fortunate are companies that must rely heavily on human skills. All of the industries with the highest effective rates are labor-intensive: apparel (39.7%), soaps and cosmetics (39.4%), publishing and printing

Some Firms Pay Less

(36.3%) and processors of meat and other foods (33.6%). Indeed, such firms get a double whammy because they are being hit by higher and higher Social Security levies without getting much from accelerated depreciation and other breaks voted by Congress. Corporate taxes as a percentage of total federal revenues fell from 23.2% in 1960 to 8% in 1982, while payroll taxes rose from 15.9% to 32.6%, according to the Office of Management and Budget. "Labor-intensive companies are picking up the tab for the reduction in corporate tax rates," asserts tax specialist Abe Schreier of the National Federation of Independent Business.

The tax-break chisels that are used to chip away at the basic 46% corporate rate vary from industry to industry, notes Richard Kaplan, a professor of tax law at the University of Illinois. "Public utilities lean heavily on depreciation and investment-tax credits because of their massive investments in plants," he says. "Timber and lumber companies, for their part, are able to take capital gains [on trees, for example], which really should be their ordinary business income." Drug companies, Kaplan adds, get tax savings through a special provision that applies to Puerto Rican operations, which is an advantage open to other industries but mostly used by pharmaceutical firms.

Northrop's staggering negative tax rate was achieved through provisions of the law permitting companies to defer taxes on profits from long-term contracts until the latter have been completed. There are a number of such deferred taxes, which in theory are payable in the future. But in fact, says Kaplan, many deferred taxes can be "rolled over" indefinitely as long as a firm keeps getting new contracts or simply keeps purchasing new assets that qualify for accelerated depreciation.

"Even if a firm just runs in place, the inflation factor means they will pay more to replace what they have," Kaplan explains. Many companies object to this view of deferred taxes, but Kaplan maintains that these "pseudo-liabilities" overstate a company's effective tax rate and understate the amount of its financial income and stockholder equity. The American Institute of Certified Public Accountants has asked the Financial Accounting Standards Board to look into the matter.

Beyond such breaks as investment credits and depreciation write-offs, banks can deduct additions to bad debt reserves even when the amount exceeds actual loan losses. Commercial banks and thrifts may also deduct the interest on money they borrow to purchase large portfolios of municipal and other tax-exempt bonds. Insurance companies, meanwhile, get a major break because the dividends they receive from their substantial investments in other companies are largely tax-exempt.

Tax-exempt income

Because of these various escape hatches, the Treasury will lose more than $80 billion in corporate tax revenues in fiscal year 1984, according to Congress' Joint Committee on Taxation. Almost half of this amount stems from investment credits and accelerated depreciation, which is why capital-intensive firms end up paying the lowest rates.

Still another reason for the disparity in rates is that the bulk of tax law is based on the "realization principle," says Harvey Galper of the Brookings Institution. "You need an actual transaction before it becomes a taxable event," he points out. Indeed, accelerated depreciation is one of the rare areas where the law makes certain assumptions and no actual transaction must take place. "At some point after you buy an asset, it becomes worthless," Galper explains.

There are two rationales behind accelerated depreciation: first, that inflation makes it necessary to allow a speed-up of depreciation write-offs; second, that assets depreciate more quickly in the earlier years. "The minute you drive a new car off a lot, it's worth a lot less," notes a Tax Analysts staffer.

Good intentions often lay behind the various tax laws that are now in place, says Galper. "A lot of the premises seemed to make sense on the surface," he points out. For example, the preferential rate on capital gains was designed to encourage people to take risks and to hold assets for a long period of time, which benefits and helps

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to stabilize the whole economy.

But the depreciation advantages enacted by the Economic Recovery Tax Act of 1981 were also aimed at stimulating capital formation—and haven't accomplished that goal, in the opinion of Brookings' Joseph Pechman. "Instead, we have wasted money and distorted resources," he says. "Investment has declined instead of increasing, while some industries are getting subsidies while others are not."

Pechman believes that the DISC (Domestic International Sales Corporation) tax benefits proved to be equally ineffective. "It was enacted to encourage exports, but all it did was reduce taxes. The nation's exports didn't increase at all," he maintains.

Moreover, many of the advantages enjoyed by capital-intensive industries are the result of powerful lobby efforts by special-interest groups, says Sidney Kess, a leading tax authority and partner of the accounting firm Main Hurdman. "Accelerated depreciation is a great incentive to invest," he says.

Telescoping write-offs

"But given our budget deficit situation, why allow the writeoff over 15 years, instead of 20 or 25 years?"

Given the pressures to raise revenues to reduce the deficit, a number of goodies were trimmed back by the Tax Equity and Fiscal Responsibility Act of 1982. Safe-harbor leasing rules, which gave healthy firms the opportunity to buy unused tax deductions from firms that had no profits to pay taxes on, will be phased out by 1984. Limits were also placed on investment tax credits, and accelerated depreciation. The latter, which was to be stepped up further, will not go beyond the current level.

Still, the fact remains that corporate taxes as a percentage of federal revenue have fallen dramatically. Meanwhile, Kess notes, estate taxes were also reduced—while Social Security taxes went up, deductions on medical

HOW SOME COMPANIES

The effective 1981 tax rates for the firms listed below are based on information contained in annual reports to shareholders and a follow-up survey of individual companies by the non-profit Tax Analysts research organization.

The starting point for each firm is worldwide base income, which is determined by taking the pre-tax earnings that corporations report to stockowners and subtracting state and local taxes, which are deductible.

If the firm had no tax breaks and no foreign operations, 46% of this worldwide base figure would be paid in tax to the U.S. Treasury. But there are dozens of ways firms can reduce the 46% rate. On the chart below, these adjustments are shown as percentage point changes.

"Permanent" items, such as investment credits, are tax rate changes that will not be recaptured later by the government. "Quasi-permanent" items represent deferred taxes that, in theory, will be paid in future years, but in the opinion of the Tax Analysts staff, probably will not.

	AEROSPACE		COMMERCIAL BANKS		ELECTRONICS		FOOD		METAL MANUFACTURING	
	NORTHROP	LOCKHEED	CHASE MANHATTAN	FIRST NATIONAL OF CINCINNATI	EMERSON ELECTRIC	WESTINGHOUSE	BORDEN	CARNATION	BETHLEHEM STEEL	REYNOLDS METALS
WORLDWIDE BASE INCOME (in 000's)	$67,700	285,600	529,566	34,329	471,896	509,900	224,439	304,413	288,900	112,100
Permanent Items										
Investment credit	(14.2)	(7.5)		(7.3)	(2.3)	(7.3)	(9.3)	(0.9)	(15.9)	(11.0)
Capital gains			(3.5)				(4.7)		(0.4)	
Unrepatriated foreign earnings										
Foreign income-tax rate							(1.7)		(5.3)	
Tax-exempt income			(18.3)	(18.0)						
R&D credit	(8.4)									
U.S possessions breaks						(15.7)				
Depletion									(10.4)	(7.4)
Dividends received exclusion										
Capitalized interest and construction costs										
Minimum tax									2.9	
Miscellaneous	(5.8)	(0.2)	(2.0)	(0.3)	0.6	(1.0)	(1.6)	(2.6)	5.1	8.3
DISC					(2.2)	(3.5)				
Quasi-Permanent Items										
Accelerated depreciation			(4.1)			(4.0)	(12.6)		(13.7)	(24.2)
Development costs										
Capitalized interest										(7.4)
Installment sales										
Long-term contracts	(132.3)	(2.6)				7.0				
Intangible drilling costs										
Nuclear-fuel costs										
Losses not deductible										
Safe-harbor leasing		(1.6)								
Life insurance reserves										
World Rate on World Income	(103.1)	34.1	18.1	20.4	42.1	21.5	16.1	42.5	8.3	2.5
Foreign Base Income (in 000's)		$52,000	435,000		32,000	29,300	32,696	67,678	68,900	11,000
Foreign Rate on Foreign Income		22.1	31.6		55.5	270.6	51.1	41.1	30.5	210.0
U.S. Base Income (in 000's)	$67,700	233,600	94,566	34,329	439,896	480,600	191,743	236,735	220,000	101,100
U.S. RATE ON U.S. INCOME	**(103.1)**	**36.8**	**(44.1)**	**20.4**	**41.1**	**6.1**	**10.3**	**41.7**	**1.4**	**(20.1)**

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and casualty losses were pared and levies were imposed on unemployment insurance payments. "The burden has been redistributed—but no one has stopped to give thought to the impact of alternate means of raising revenue," Kess says.

Corporate tax issues are so complex, Kess concludes, that it's understandable why members of Congress don't understand certain specialized tax legislation. "Often, they don't know what they're voting on—it's just a matter of the lobbyists getting to the right people," he says.

Kess is concerned that "the honest, average person or firm, unsheltered by special tax boons," is not getting a fair shake. But Norman Ture, former Treasury Undersecretary for tax matters, argues that the fairness issue is irrelevant when it comes to corporate taxes. "Corporations are not human beings," he points out. Princeton University's Don Fullerton agrees: "Varying rates can be used to measure relative burdens among corporations, but we should not seek to apply equity concepts to entities such as corporations," he says. Since companies generally adjust to discriminatory tax rules, Fullerton explains, "Investors in high-tax firms receive the same after-tax return as investors in low-tax ones."

But while the adjustments are being made, a price is paid, maintains John Albertine, president of the American Business Conference, a group of fast-growing high-technology firms. "The tax is either shifted backward—in the form of lower rates of return to stockholders or lower wages for workers—or it's shifted forward via consumer prices," he says. The usual route is backward, in Albertine's view.

Whoever ends up paying the bill, what disturbs many economists is the idea of meddling with the marketplace by trying to achieve certain social and economic goals through the tax system. "The nature of the process now is that public policy picks winners and losers," says Ture. "Policy should be

TRIM THEIR TAXES

Domestic International Sales Corp. (DISC) is listed separately because some firms treat it as a permanent item and some as nonpermanent.

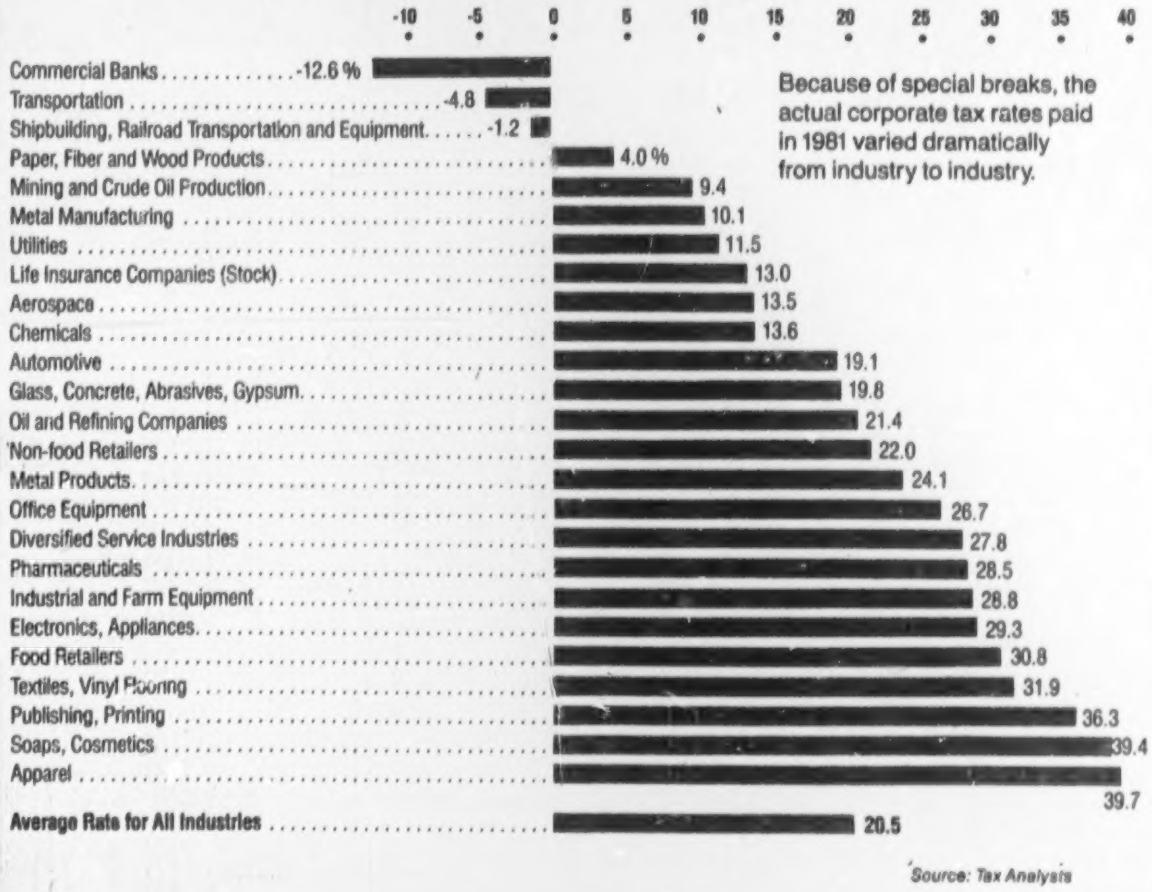
Next, foreign income and tax on that income are separated from the worldwide base figure. This is necessary, says Tax Analysts, because many large firms earn a large part of their income overseas. If $1 billion is earned abroad, and the foreign government taxes that income, the company is entitled to a dollar-for-dollar tax credit under U.S. law. "The payments to the foreign government are treated as if they went to the U.S. Treasury," explains Tax Analysts director Tom Field. If the foreign tax is much stiffer than the statutory 46% U.S. rate—and it often is—then a credit can be carried forward into future years.

Finally, a U.S. tax rate on U.S. income is produced. When a negative rate appears on the chart below, that does not usually mean a tax refund. The negative rate is generally applied against taxes owed in future years.

OFFICE EQUIPMENT		OIL AND REFINING		PAPER AND WOOD		PHARMACEUTICALS		NON-FOOD RETAILING		TRANSPORTATION		UTILITIES	
IBM	HONEYWELL	GULF	TEXACO	GEORGIA PACIFIC	KIMBERLY CLARK	UPJOHN	BRISTOL-MYERS	SEARS, ROEBUCK	J.C. PENNEY	BURLINGTON-NORTHERN	SANTA FE INDUSTRIES	DUKE POWER	TEXAS UTILITIES
$5,988,000	350,000	3,327,000	4,005,000	234,000	273,700	231,652	534,000	631,100	614,000	400,240	319,200	394,908	580,015
(1.2)	(9.5)	(2.4)	(2.0)	(20.9)	3.9	(2.3)	(1.7)	(3.3)	(2.1)		(16.0)	(14.2)	(12.5)
				(9.8)	(1.0)	(3.3)		(5.6)		(2.8)	(4.2)		
							(6.8)						
	(3.1)	18.8	11.9			(7.9)							
	(3.1)												
								(24.8)					
						(26.1)							
													(2.5)
								(9.3)					
												(25.8)	(7.5)
(1.2)	(3.8)	0.5	(10.7)	(4.6)	(4.1)	(0.8)	5.2	(3.7)	(1.9)	(3.5)	(1.7)	8.9	6.4
	(1.7)												
	(9.4)	(3.9)	(2.3)	(27.4)	(11.9)	(4.4)		(2.2)	(13.4)	(61.4)	(48.3)	(12.5)	(11.0)
				(3.8)									
				(10.3)	(0.5)							(4.2)	(1.6)
								7.0		(5.4)			
		(3.9)	(3.5)								(10.8)		
												3.1	
										10.2			
								(3.2)					
43.6	15.4	55.1	39.4	(30.6)	24.6	17.0	42.7	0.9	26.6	(16.9)	(35.0)	1.3	17.3
$2,392,000	114,700	2,209,000	3,175,000		88,300	9,595	161,200	29,900					
65.5	31.3	69.1	44.5		29.4	262.6	48.0	(0.3)					
$3,596,000	235,300	1,118,000	830,000	234,000	185,400	222,057	372,800	601,200	614,000	400,240	319,200	394,908	580,015
29.0	10.0	27.9	18.9	(30.8)	21.7	6.3	40.5	1.0	26.6	(16.9)	(35.0)	1.3	17.3

Numbers in ( ) are negative.

The Huge Tax Gap Among Industries



Because of special breaks, the actual corporate tax rates paid in 1981 varied dramatically from industry to industry.

Source: Tax Analysts

neutral. We ought to have a tax structure that lets the market decide and gives everybody a fair shake."

"The Reagan rhetoric is free-market, but the Reagan tax program certainly isn't," agrees Harvey Galper of Brookings. "As things stand, resources are being allocated across industries in terms of after-tax instead of before-tax income."

Galper offers the example of Industry A earning 10% before taxes while Industry B earns 6%. "Clearly, society will gain more if production goes to Industry A," he says. "But if Industry B pays no taxes and A pays a 40% rate, an investor will earn 6% after taxes, no matter what."

Decisions are equally distorted at the firm level, Galper points out, since managers must consider the future tax consequences of investing in tax-favored equipment and plant, versus investing in research and development, better industrial relations or employee training. The upshot is "too much investment in some assets, too little in others," says Princeton's Fullerton. As a result, the nation's stock of capital is less productive than it should be, he adds, which means that total real income in the U.S. may be billions of dollars lower than it would be if all firms had the same effective tax rate.

Impact on income

This skewing of investment toward capital-intensive industries is especially inappropriate at this point in the nation's economic history, says Robert Reich, a Harvard economics professor. "Our industries of the future will not depend on physical hardware, but on human software that can retain a technological edge," he asserts. "Yet the tax code now provides incentives leading in just the opposite direction."

Galper makes the same point. "If tax rates were equal, firms would look at training and human resource investments in the same light as buying

"The people who fight for tax breaks are the ones who profess to worry about a balanced budget."

more machines or adding a new wing to the plant," he says.

The views of business on the unevenness of the corporate tax burden, not surprisingly, vary from industry to industry. John Albertine of the American Business Conference maintains that the present system is grossly unfair to shareholders and employees of firms that pay the highest rate.

However, Larry Pflieger, chief financial officer of apparel-maker Warnaco Inc., takes a broader view: "Our effective rate is 44%. That's very high compared to other companies in other industries. The whole apparel industry pays higher rates, because we're not very capital-intensive. Yet I think it's fair, since it's necessary to keep the country's industrial capacity modernized."

The banking industry, not surprisingly, takes strong exception to the criticism of its low tax rate. President Samuel Armacost of Bank of America recently pointed out that the effective tax rate does not take into account the cost of keeping non-interest bearing deposits at the Federal Reserve, which amounts to $150 million in the case of Bank of America. He adds that the tax exemption on municipal bonds was not put into the law to help the banks, but to lower the borrowing costs for the nation's cities.

BofA's $150 million cost

Vice President Walter Lamp of Chase Manhattan is particularly miffed at the negative 44.1% rate that Tax Analysts says Chase paid in 1981. "I don't know how they got that rate," he insists. "Remember, when we buy municipal securities, we are accepting a lower interest rate." Instead of supporting state and local bond issues, Lamp argues, banks could do just as well by purchasing a taxable security at 10%.

Irving Littman, investment relations manager at Boise Cascade Corp., is equally irate at the criticism of the forest products industry's tax rate. "If you're in the tree business, you plant and then wait thirty or forty years," he points out. It makes sense to defer the tax until that time, Littman says, because "it's not like traditional agriculture, where you put your money into the ground and get it back in a matter of months." Donald Stinner, general manager of taxes at Bethlehem Steel Corp., doesn't see what all the fuss is about as far as his company is concerned. "Right now, with our financial situation, we're not benefiting from any of the tax breaks."

Despite President Reagan's recent blast at the corporate tax system, the Administration has no plan in the works right now to reform or abolish the tax.

Indeed, the only game in town in terms of corporate tax reform is a recently introduced bill sponsored by two Democrats—Senator Bill Bradley of New Jersey and Congressman Richard Gephardt of Missouri. An expanded version of last year's "fair tax" bill offering a flat rate for individuals, the Bradley-Gephardt proposal would wipe out the investment tax credit, scale down depreciation breaks dramatically and reduce the basic corporate tax rate from 46% to 30%.

The CBO's Joseph Minarik concedes that the Bradley-Gephardt bill is "clearly a long shot." But he still has hope. "Doing the right thing always involves stepping on someone's toes —and the tax toes are influential ones," he says. "Yet the sensible thing might be done."

But the roadblocks are substantial. Killing the corporate tax or eliminating most special breaks would be a drastic change, as Fullerton points out. Some companies would receive a windfall—and some would be clobbered. "That's why we always say, an old tax is a good tax," Fullerton explains.

Minarik, for one, thinks the gains are worth the trauma. "It's true that some will be hurt by tax law changes," he says. "But that should not keep us from getting rid of an inefficiency that could drive the economy down the drain."

Aid to inefficiency?

Kess, however, has his doubts. "In the past, when any kind of reform has been attempted, the powerful lobby groups have screamed—and have been listened to," he points out. The irony, Kess adds, is that the very people who fight for special tax treatment are the same ones who profess to worry the most about fiscal responsibility and balancing the budget.

And as CBO director Alice Rivlin notes, the national sport of tax avoidance may be the ultimate reason for keeping some form of corporate income tax. "If it's eliminated or reduced sharply, how will you keep individuals from incorporating themselves to avoid personal income taxes?" she asks. "That's a problem not to be sneezed at." —MARILYN WILSON

DUN'S 5000

Business' Money Needs Are Modest

Two-thirds of the firms in the Dun & Bradstreet survey say they have no plans to raise capital.

There is little reason to worry that interest rates will rise later this year due to business' demand for funds, according to the latest survey of 5,000 business establishments by Dun & Bradstreet Corp. When asked about their financing plans, a hefty two-thirds of the firms saw no need to raise additional capital this year—either by borrowing or through other sources of financing.

This modest business demand for funds, combined with lackluster borrowing by consumers, means the federal government will practically have the credit market to itself. So in spite of the huge Treasury borrowing needs generated by a deficit that's approaching the $200 billion mark, a summertime spike in interest rates seems highly unlikely.

Other factors helping the capital markets include the strong dollar, which continues to attract foreign money, and the surge of funds into Individual Retirement Accounts.

All told, only 26.3% of the 5,000 firms surveyed said they had plans to raise capital. The DUN'S 5000 sample, which is drawn from Dun & Bradstreet's data base of more than 5 million business establishments, is an unusually accurate and comprehensive barometer of activity in the entire U.S. business world.

Among those that need money, methods of obtaining the cash varied sharply according to the size of the firm. Borrowing from banks was the choice of 80% of smaller firms with fewer than 500 employees; by contrast, only 34% of larger firms with 5,000 or more workers planned to go to the bank window.

There was strong interest in issuing bonds among larger companies, with 26.2% of those with 5,000 or more workers planning to go this route. But none of the firms with fewer than fifty employees was even considering bonds. For all sizes of companies, stocks were the least popular option: on average, only 4.6% plan to raise capital this way.

But the basic message of the survey is clear: Most firms are anxious to repair their balance sheets and get out from under high-rate, unpredictable short-term debt. As long as this mood prevails, the only thing that will keep interest rates up is fear of inflation.

—JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of the Dun & Bradstreet Corp.

Who Wants Money— And How They Will Get It

Most companies plan to stay out of the capital markets this year, a recent Dun's 5000 survey shows. The charts below give a breakdown, by size of firm, of who will be raising money and which methods of financing will be used.

Financing Needs by Size of Firm

	Number of Employees					
	1-9	10-49	50-499	500-4,999	5,000 +	Total of All Firms
Need financing	20.8%	20.9%	24.7%	31.0%	35.2%	26.3%
Don't need	71.4	71.1	68.9	61.3	59.2	66.6
Unsure	7.8	8.0	6.3	7.8	5.6	7.0
Percent of Respondents	20.2	20.4	22.7	16.2	20.5	100.0

How the Money Will Be Raised

	Number of Employees					
	1-9	10-49	50-499	500-4,999	5,000 +	Total of All Firms
Borrowing from bank	83.6%	79.4%	75.7%	55.7%	34.5%	63.5%
Borrowing from other lending inst.	3.5	4.4	8.6	7.0	13.1	7.8
Issuing bonds	0.0	0.0	3.3	13.0	26.2	9.7
Issuing stock	0.6	3.9	3.8	8.6	5.6	4.6
Other means	12.3	12.3	8.6	15.7	20.6	14.4

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Six Democrats Stalk Reagan

MASSACHUSETTS DEMOCRATIC STATE COMMITTEE

Glenn (left), Askew, Mondale, Mrs. Hollings, Kennedy, Cranston and Hart at the Massachusetts convention: 25.6% voted for "jobs"

After months of negative polls, Ronald Reagan's popularity began to rise once again last month. A *Washington Post*/ABC News Poll showed the President beating both former Vice President Walter Mondale and Ohio Senator John Glenn by one percentage point if the election had been held in early April. Only two months earlier, the same poll showed Glenn trouncing the President by ten percentage points, and Mondale beating him by nine.

With eighteen months left before the voters choose the next President, there could be many such sharp swings in national opinion as Reagan's popularity ebbs and flows with public perception of how he is handling the overriding issues of the economy and relations with the Soviet Union. In fact, the same *Post*/ABC Poll that had Reagan edging Mondale and Glenn, also found that fully 56% of the voters believed the President had made things worse since he took office.

Given Reagan's apparent vulnerability and with the Iowa caucuses only nine months away, six Democratic Presidential hopefuls have already entered the fray: Mondale, Glenn, former Florida Governor Reubin Askew and Senators Alan Cranston of California, Gary Hart of Colorado and Ernest Hollings of South Carolina.

Where do the six fit into the ideological spectrum? And what are their chances for winning the Democratic nomination, and ultimately, the White House?

Today's front-runner is clearly "Fritz" Mondale, the 55-year-old Minnesotan who earned his political stripes as a protégé of the ebullient populist, Hubert Humphrey. Indeed, a recent Harris survey found that with Massachusetts Senator Edward Kennedy out of the race, Democrats preferred Mondale by a substantial 41%, versus Glenn's 17% and Cranston's 6%. And he won the April straw poll at the Massachusetts Democratic convention with 29.3%, versus Cranston's 16.9% and Glenn's 10.5%; 25.6% of the delegates simply wrote the word "jobs" on their ballots, in response to the AFL-CIO's decision to stay neutral until it picks a candidate

With Iowa only nine months away, the nomination is "Mondale's to lose"—and he very well might.

late this year. "At this point, the conventional political wisdom in that the nomination is Mondale's to lose," says veteran election analyst Richard Scammon. "Nevertheless, it's not beyond him to do so."

Clearly, Mondale has many political pluses. The newly compressed primary schedule gives the better-known candidates a leg-up, and thanks to his four-year stint as Jimmy Carter's Vice President, Mondale is by far the best-known of the Democratic hopefuls. He is also viewed as experienced at a time when—unlike 1976 and 1980—being an old Washington hand is once again an advantage. What's more, he has positioned himself philosophically at the center of the Democratic political spectrum, where both liberals, who would otherwise opt for Cranston, and middle-of-the-roaders, who would prefer Glenn, find him acceptable (*see page 50*).

Indeed, Mondale is the classic old-style Democratic coalition-builder, offering something to everybody. On special issues, he has successfully wooed nearly every liberal group from labor to gays, and is expected to win the AFL-CIO's new primary endorsement. Similarly, on the economy, he has walked a careful middle line. He would reduce the federal deficit by cutting defense and repealing the 1983 tax cut as well as tax indexing. But unlike the more conservative Askew and Hollings, he does not talk about reforming entitlement programs, considered untouchable by labor, blacks and other traditional Democratic constituencies. On the monetary front, he would "strike an accord with the Federal Reserve Board to permit sustainable monetary accommodation and long-term economic growth," but would not, as Cranston has suggested, limit the Fed's independence, a move that would upset many more conservative Democrats.

Like most of the other contenders, Mondale also calls for an aggressive industrial policy, striking a stark contrast with Reagan's reliance on the free market. Unlike Hart, however, his emphasis is not on the nation's emerging high-tech sectors, but on its more troubled basic industries, with their huge labor constituency.

Specifically, Mondale's industrial policy would include increased funding for education, job training, research and development, alternative energy sources and improvements in the nation's infrastructure; new limits on "wasteful" corporate takeovers; tax and regulatory incentives for innovation; business-labor-government accords to boost productivity; and a more aggressive trade posture, including protectionist labor-backed domestic content legislation, increased Export-Import Bank funding and an easing of export controls.

More protectionism

As for foreign policy, he would deescalate the Reagan rhetoric and "get serious once again about arms control." Specifically, he says he would push for the ratification of SALT II; go to a summit meeting with the Soviets to get the next round of strategic weapons talks back on track; reemphasize human rights in foreign policy decisions; and begin bargaining towards a verifiable freeze on nuclear weapons. "Above all, the future demands effective nuclear control," says Mondale, reflecting the consensus Democratic view that the peace issue will be a hot one in 1984.

Running to the right of Mondale is former astronaut Glenn, the 62-year-old Ohioan with the "Right Stuff" eclat. At this point, political experts agree that Glenn has the best chance of beating Reagan or another Republican. Indeed, early this year, the Harris Survey, like the *Post*/ABC poll, found that Glenn beat the President by thirteen points, versus Mondale's nine. Similarly, Glenn did better than Mondale in both the South and the West, the heart of Reagan country. Moreover, he outran Mondale in Republican rural and suburban areas as well as among middle-of-the-road voters. Both win liberals and women by about the same margins. But while they lose the conservatives, Glenn does so by a much thinner percentage. Says Republican National Committee Deputy Director Richard Bond: "He's clearly the one we'd least like to face in November."

At this early stage of the campaign, Glenn's strength stems more from image than substance. Key, especially among Republicans and independents, is his ex-astronaut star quality—one likely to be enhanced by the soon-to-be released movie, "The Right Stuff"—and his perceived moderation on economic and defense policy.

While Glenn has not yet fleshed out an economic policy, his Senate record positions him decidedly to the right of the other front-runners. For example, the U.S. Chamber of Commerce, whose ratings depend heavily on budget votes, gives him a 55% score, versus Mondale's 5% and Cranston's 11%. And on defense, he's more hawkish than Mondale. While Glenn says he supports a nuclear freeze, he has been a vigorous advocate of the B-1 bomber. Similarly, while most Congressional Democrats are calling for 3%-to-5% real growth in defense spending, Glenn has been talking about 7%—less than Reagan's 10%, but more than the Republican-dominated Senate Budget Committee's 5%.

Still, while Glenn appears better positioned than Mondale to beat Reagan, he's less likely to clinch the Democratic nomination. The reason is that, as in the GOP, party activists dominate the Democratic Party's nominating process—and Glenn fares poorly with those powerful constituencies. Liberals generally are suspicious of his relatively conservative positions on government spending and defense. Jews are mad at him for backing the sale of F-15s to Saudi Arabia and urging recognition of the Palestinian Liberation Organization. Environmentalists charge that he is the one Democratic candidate not backing tough legislation to control acid rain. And the elderly worry about a past suggestion that Social Security be made voluntary.

At least in part because of these problems, Glenn has also been slow in developing a campaign organization. While he has a large staff of about sixty in Washington—dubbed mission control—he only has two operatives in Iowa and three in New Hampshire, the first two states to choose delegates to the nominating convention. "Glenn has real problems up here," says New Hampshire Democratic Party Chairman Richard Boyer. What's more, his lack of a coherent ideology or theme and his rather colorless campaign style may limit his power to ignite the political passions of potential campaign workers. Indeed, compared to Mondale's more electric Humphrey-honed delivery, Glenn's Rotarian-style speeches are bland at best. As Scammon puts it: "He's a dead fish."

Cranston, although a much longer shot, does spark political passions. By staking his candidacy on the single lofty issue of a nuclear freeze, the 68-year-old Californian has earned the halo of the peace candidate—and all the emotional, organizational and financial backing that brings. What's more, his strong liberal record in the Senate wins him enthusiastic support from the old Kennedy wing of the party. Blacks are high on him because of his pre-primary endorsement of Chicago mayoral candidate Harold Washington, while Mondale was endorsing Richard Daley Jr. So are environmental, consumer, civil rights and women's groups, with whom he has a near perfect record. And although the AFL-CIO is expected to endorse Mondale, a number of more liberal unions such as the Machinists will probably fight for Cranston on their own.

The Kennedy heir

Nevertheless, while he is the unabashed darling of the left, Cranston is considered a tough sell even by party activists, who concede that he is probably just too liberal, particularly on defense, to beat Reagan in a general election. Actually, in recent history, no Democrat has won the Presidency without a strong defense posture. What's more, Cranston simply does not look Presidential. In an age of media politics, the Senate Whip's boney, bald head makes him look cadaverous. "He can jog all he wants, but he's still a walking skeleton," says Scammon.

After Mondale, Glenn and Cranston come what Scammon likes to call "the great army of the unwashed, the Oh-my-God, lightning-might-strike candidates." Between the two Southerners, Florida's 54-year-old Askew is clearly the more conservative. More than any other Democrat, Jimmy Carter's former chief trade negotiator has staked his bid for the Presidency on an ambitious strategy to revitalize America's international trade competitiveness. His program would combine fiscal restraint (he'd reduce deficits by cutting defense, raising taxes and reducing Social Security and Medicare benefits) with an Atari-style industrial policy that includes increased federal spending for education and infrastructure; an Economic Mobilization Board to help promote growth in both trou-

THE IDEOLOGICAL SCORECARD

Running on the extreme left for the Democratic Presidential nomination is California Senator Alan Cranston; on the right, former Florida Governor Reubin Askew. Then vying for the center, from left to right, are former Vice President Walter Mondale, Ohio Senator John Glenn and South Carolina Senator Ernest Hollings. The following ratings, based on the candidates' Senate voting records, tell the story. Askew is not rated because he never served in Congress.

	Americans for Constitutional Action (conservative)	Americans for Democratic Action (liberal)	AFL-CIO's Committee on Political Education	Chamber of Commerce of the U.S.	National Assn. of Manufacturers	National Federation of Independent Business	Ralph Nader's Public Citizen
Alan Cranston	5%	95%	100%	11%	15%	45%	65%
John Glenn	35	70	91	55	23	42	35
Gary Hart	15	95	92	40	23	38	65
Ernest Hollings	50	55	70	53	31	56	40
Walter Mondale*	3	92	93	5	73	52	70

*Cumulative ratings for years he served in the Senate.

On defense, Hollings has straddled party lines, voting against the MX and B-1 as well as SALT II.

bled and emerging industries; and a more aggressive—but nonprotectionist—trade posture. He's the only Democratic candidate to oppose labor's legislative priority, the domestic content bill. Similarly, on social issues he's an arch-conservative. A Presbyterian elder, Askew doesn't drink, smoke or swear and supports the pro-life movement's anti-abortion amendment.

Slightly to the left of Askew is 61-year-old Hollings, the silver-haired ex-South Carolina governor and former Senate Budget Committee chairman who is best known for his budget freeze proposal, the first serious Democratic plan to reduce the deficit. The Hollings holddown would cut the deficit by $187 billion over three years by repealing indexing and the 1983 tax cut, freezing domestic spending, including cost-of-living increases for most benefit programs, and cutting the increase in defense outlays to 3% real growth.

On defense, Hollings has defied political labels, joining with the Democratic majority in opposing funding for the MX and B-1, but voting with the Republicans against SALT II. As for trade, he's proven less conservative, supporting protectionist quotas for the Southern-based textile industry as well as domestic content legislation for U.S. car companies. Similarly, he takes a generally liberal stand on social issues.

All in all, however, the outlook for the Southern duo is dim at best. They are not nationally known, and their ability to raise money and establish a nationwide campaign organization is extremely weak. Moreover, they are decidely out of tune with what the party seems to want. "The Southerners go against the [more liberal] mood of the party," contends political consultant Victor Kamber. So the best the grits duo can realistically expect is to go to the convention with enough delegates to use as bargaining chips for political promises or the Vice Presidential nomination, which, many party professionals feel, must go to a Southerner.

That leaves ex-divinity student Gary Hart, the consumate 1980s TV candidate. In an age of media politics, the strapping, 45-year-old Hart is not only naturally telegenic, but is cleverly playing up his resemblance to John F. Kennedy with everything from the way he combs his hair and eases his hands into his jacket pockets to the Kennedyesque cadence of his speeches. (Not too coincidentally, top JFK speechwriter Ted Sorenson just hired on as a key Hart adviser.)

Hart launched his political career as liberal George McGovern's 1972 Presidential campaign manager. But ever since, he's been racing towards the political center. And now he's appearing to the new generation of voters as the candidate of new ideas, not old constituencies.

Racing to the center

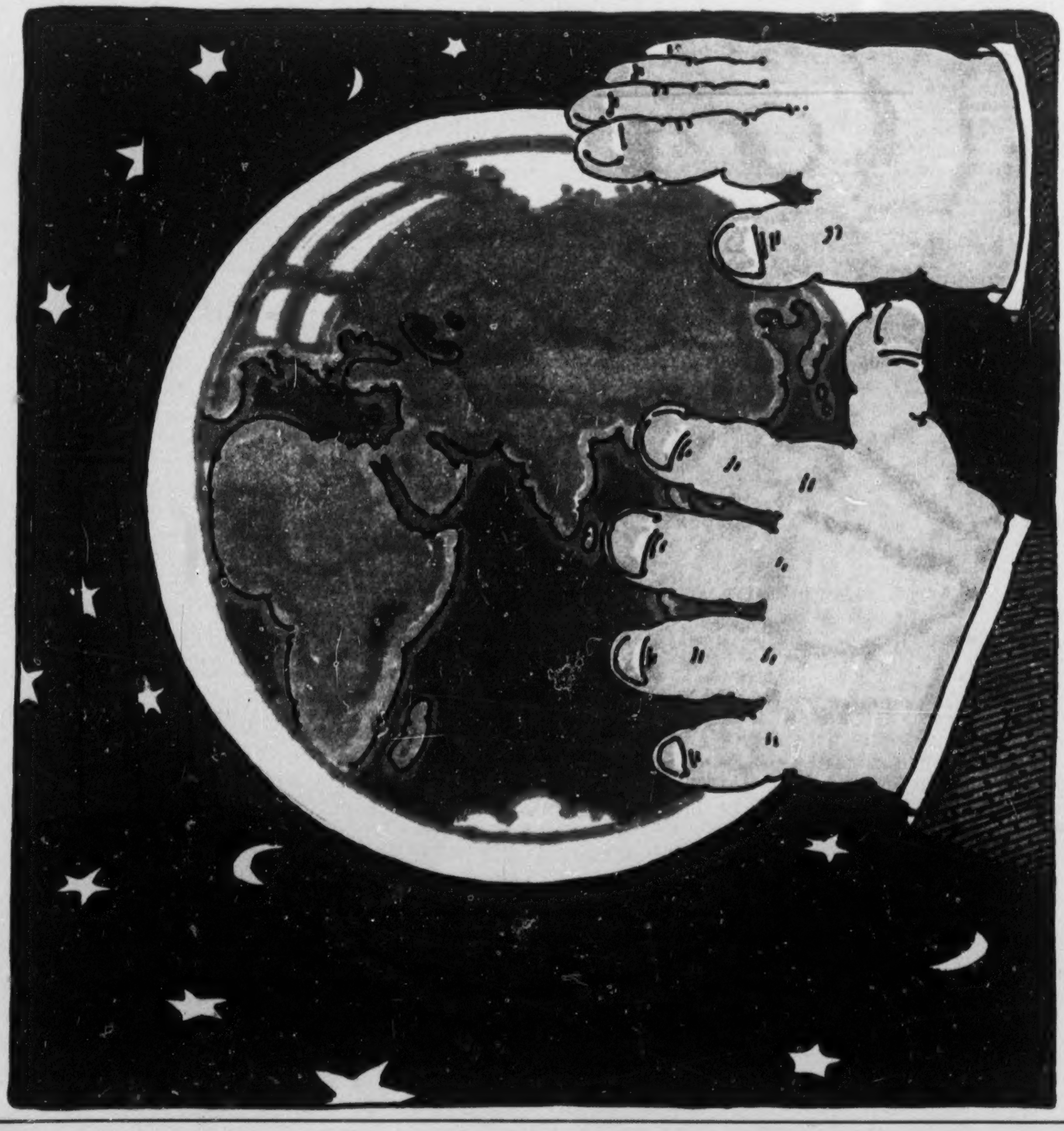
On the economic front, he has led the so-called Atari forces in the Senate, calling for an aggressive industrial policy to help smooth the inevitable transition from a industrial to an information and service-based economy—without the protectionist and bailout policies supported by Mondale and Cranston. On defense, he has led the Congressional military reform movement, calling for a new emphasis on conventional over nuclear arms, and on larger numbers of smaller, cheaper, more maneuverable weapons as an alternative to Reagan's high-tech, high-ticket military buildup.

Like the other long shots, however, Hart has a serious recognition problem. Only 46% of those polled knew anything about him in a January Harris survey. Nevertheless, those who know him rate him highly. For example, in a recent California field poll, Hart got the most favorable rating of any of the candidates among voters who knew of him. And it is possible that if the Coloradan makes a strong showing in Iowa and New Hampshire, where he is building a strong organization, he could overcome his recognition problem. Then, if the conventional wisdom proves wrong and Mondale doesn't clinch an early nomination, the Democratic Convention might very well turn against the old constituencies to a new face with different ideas as their best hope to win the White House in 1984. "If he doesn't get the association with McGovern wrapped around his neck, I think Hart could end up the strongest candidate against Reagan," says pollster Burns Roper.

However, no matter who gets the Democratic—or Republican—nomination, the consensus is that the 1984 elections will be close. The Democrats will probably win the Northeast, with the possible exception of Connecticut and New Jersey. The Republicans will probably take the West and most of the South—although Glenn or a strong Southern Vice Presidential candidate could help the Democrats chip away at Dixie. But the battleground will be in the industrial Midwest, where the key issue will be the economy. And the outcome will determine whether the U.S. continues along the Reagan road to smaller government and less regulation or turns down an unchartered path towards some form of Japanese-style industrial policy. —ANN M. REILLY

INTERNATIONAL

How Good Are Country Risk



Forecasters?

Judging by their track record in predicting major trouble, not very. But they are improving their analytical techniques.

In the mid-1970s, worried about the hazards of operating in economic and political troublespots around the world, business began using a new forecasting tool called country risk assessment. Globe-trotting multinationals and banks built up risk-analysis systems to determine the advantages and disadvantages of doing business in various countries, while many other companies turned to independent forecasters for advice.

By now, though, many companies are questioning the usefulness of country risk assessment. And certainly, the forecasters' track record in predicting trouble is not good. Few of them, for example, spotted the Iranian debacle in time to allow banks and multinationals to take appropriate action. Even fewer foresaw the Falklands crisis and its impact on Argentina's economy or predicted the unfolding Latin American debt crisis. The Polish financial crisis was generally missed by analysts, who put too much faith in the theory that the Soviet Union would step in to guarantee the debts of its client states. And those who forecast rapid economic growth in independent Zimbabwe far outnumbered the pessimists, who now seem to have been proved right.

Originally, country risk analysis set out to measure a company's long-term exposure to events in a given country, and to some extent it is still used that way. But in recent years, the focus has shifted to providing the day-to-day intelligence that companies need to deal with more immediate changes in the local business environment.

The forecasters undertake studies tailored to a company's specific interests in a particular country. Many of them, though, are best known for their rating lists—a kind of international beauty line-up in which countries are ranked according to their economic, political and financial standing *(table, page 68)*. Each country's potential strengths and weaknesses are highlighted, and recommended courses of corporate action are outlined.

The best-known rating lists are those of two consultants: Frost and Sullivan, which publishes the *Political Risk Letter,* and Business Environment Risk Information, which puts out the BERI risk analysis service for corporations and Forelend financial service for banks. A new rating service has been started by Business International, which also publishes regional newsletters.

The independents are criticized by corporate planners for painting so broad a picture of likely developments in a country that their assessments are of limited practical use. Moreover, the consultants often disagree widely in their assessments of a particular country, and their analyses often differ markedly from the financial markets' perception.

Too broad?

For instance, a Swedish Ministry of Finance official, back in Stockholm after raising new funds at the best rates on the Euromarkets, told DUN'S BUSINESS MONTH he was surprised that BERI has assigned Sweden a "3" rating (lend at high rates; generally tighten terms) for the current year, and a "4" (lend at highest rates, require foreign bank or foreign government guarantee) in its five-year assessment. "What really galls me," the miffed official said, "is that Taiwan is given a constant '1' [lend; prime borrower]. How can they possibly justify that?"

Nevertheless, the rating lists can be useful for a company or bank that wants a global perspective. Moreover, the in-house experts' track record generally has been no better than that of the independents, and figuring out what went wrong and how to correct it has been a major concern of the forecasting industry.

The forecasters themselves largely blame overdependence on statistics and mechanical gimmickry—particularly their reliance on mathematically stringent econometric models—for past failures. They also admit they have not paid enough attention to the gathering and sifting of information—a problem that has been aggravated by overdependence on the major banks for information, particularly on the part of regional banks.

In talking about Chase Manhattan Bank's handling of the Latin American debt situation, for example, economist Robert Slighton, who sits on Chase's country risk committee, says, "We did a pretty good job of analysis, but we weren't as good on communication. A regional would figure that if Chase was in a loan, it must be good. They didn't notice, and we didn't communicate, the fact that we were less involved in some developing countries than we used to be."

(continued)

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PREDICTING THE PERILS AHEAD

Here is how risky it will be to invest in or lend to eight countries in the next five years, according to forecasting services and in-house analysts. Since the analysts report their findings in different ways, Dun's Business Month has converted their terms to a numerical basis to make them comparable.

	BUSINESS INTERNATIONAL	BUSINESS ENVIRONMENT RISK INFORMATION	FROST & SULLIVAN	FOUR MULTINATIONAL CORPORATIONS	BERI FORELEND	SIX BANKS
Brazil	3	4	3	2	4	4
Chile	2	3	3	4	4	4
Indonesia	3	4	3	3	3	2
Mexico	3	4	4	2	5	4
Saudi Arabia	1	3	3	3	1	1
South Africa	3	3	5	2	2	2
South Korea	2	3	2	3	3	3
Zimbabwe	3	NA	5	4	4	4

KEY: 1: very good. 2: good. 3: medium. 4: poor. 5: very poor. NA: not available.

Agrees Irving Friedman, senior international adviser at First Boston Corp.: "There has been a lot of imitation going on. If one bank goes in, that doesn't mean it is right for another bank. As a regional bank, that can't be your conventional wisdom."

Companies, too, should limit their reliance on the banks, Slighton says. "They should lean on banks for the macro-economic and balance-of-payments information, but not for specifics."

Relying on government information has also led to problems, says political analyst Gordon Rayfield of General Motors Corp, because "the government has its own interests." Zaire, for example, is considered to have one of the most mismanaged economies and corrupt governments in the world. According to Rayfield, "GM is operating in Zaire because the U.S. government likes Mobutu, not because there is a whole lot of money to be made there."

Still another problem is that the rigidity of the analysts' techniques has tended to give their forecasting systems a life of their own, so that countries have been treated with a predetermined view to fitting them into a certain category. Too often, says David Lomax, head economist at London's National Westminster Bank, the final decision was taken well before all the information had been fully analyzed. Likewise, the forecasters have tended to project a country's past behavior into the future. So a sudden change of government policy or other important new factor could upset the whole applecart.

In working to correct their mistakes, the forecasters have been concentrating on several areas. For example, the idea that country risk can be reduced to a series of ratios and equations has now been generally discredited as too simplistic, and the industry is adopting a more comprehensive, analytical approach that takes greater account of social and political factors.

More analytical

Alongside such quantitative data as a country's foreign-exchange position and natural resources, the forecaster now works into his model such factors as its social system, level of political development and the quality of its economic management. Some models even include "stress factors" such as the ratio of secret police to adult males and the severity of traffic jams. The typical Japanese bank assessment of a country now assigns a 50% weighting to social and political considerations, and both European and U.S. banks have increased their sociopolitical input, according to a recent study by Britain's Manchester Institute of Science and Technology. Among multinational companies, political considerations carry even more weight, accounting for 75% of the input in some European models.

The forecasters also agree that more attention must be paid to specifics—such as a country's industrial relations, exchange controls or patent laws—rather than just looking at the country as a whole. "There is a continuing move away from the broad-based, an insistence on tailoring to individual needs," says the planning manager of a major U.S. oil company. "We look at what affects our industry—the tax regime, for example, or the likelihood of changes in government policy on production sharing agreements. It is the operating environment that we focus on."

Equally important is coming up with a range of alternative scenarios, rather than one cold forecast, in which the various implications for a company's operations can be examined. "It doesn't matter that you say Labor will come to power in Australia," points out William H. Overholt, vice president and international economist at Bankers Trust. "The important question is what are the consequences for your operation if it does."

Two consulting firms that are taking a more specialized approach to forecasting are Multinational Strategies and Probe International. MNS offers scenario analysis and policy consequences rather than predictions, principal Paul Sacks explains. And at Probe, President Benjamin Weiner says, the reports concentrate on making recommendations as user-specific as possible. "Companies come to us when they are thinking about a major investment," he says.

Practitioners also stress that risk analysis is no longer wholly negative. It is increasingly being used to highlight upcoming business opportunities, they say, such as those that developed in China following the reemergence of Deng Xiaoping and in Hungary after liberal economists won the government's ear.

(continued)

At any rate, the miscalculations of companies abroad cannot be laid solely at the door of the forecasters. Many analysts rightly complain that they are regularly ignored by top management, even when their forecasts are correct. And many planners and line managers continue to doubt the validity of their forecasters' increasingly sophisticated techniques and the practicality of their predictions. "There is still a question of whether country assessment is useful," First Boston's Irving Friedman agrees.

Corporate doubts

Indeed, some corporate managers are already complaining that the forecasters are paying too much attention to the sociopolitical aspects of country risk. "Good old-fashioned economic and financial data gets pushed out of the limelight, with disastrous results," says Pieter Jaans, export manager for a Belgian trading company. "As it stands, country risk is just too subjective." More dismissively, an official with a European export credit insurance firm likens country risk assessment to forecasting the weather: "Gut feelings are just as likely to get it right."

As a major example of how little attention is paid them, the analysts point to the Latin America debt situation. Those forecasters who predicted the current crisis well in advance maintain their reports were either shelved or put at the end of lending officers' agendas. "There was a built-in propensity to sidestep restraints," says Armen Kouymoudjian, a country risk analyst at International Mexican Bank. "Even today, some big American banks are insisting on five-year targets for lending to Latin American countries. It's ludicrous."

To get management's attention, Kouymoudjian and other analysts are calling for a determined missionary effort to educate managers in the practical advantages of risk assessment and its uses. They have a tough struggle ahead of them.

—DAVID FAIRLAMB
WITH HENRIETTE SENDER

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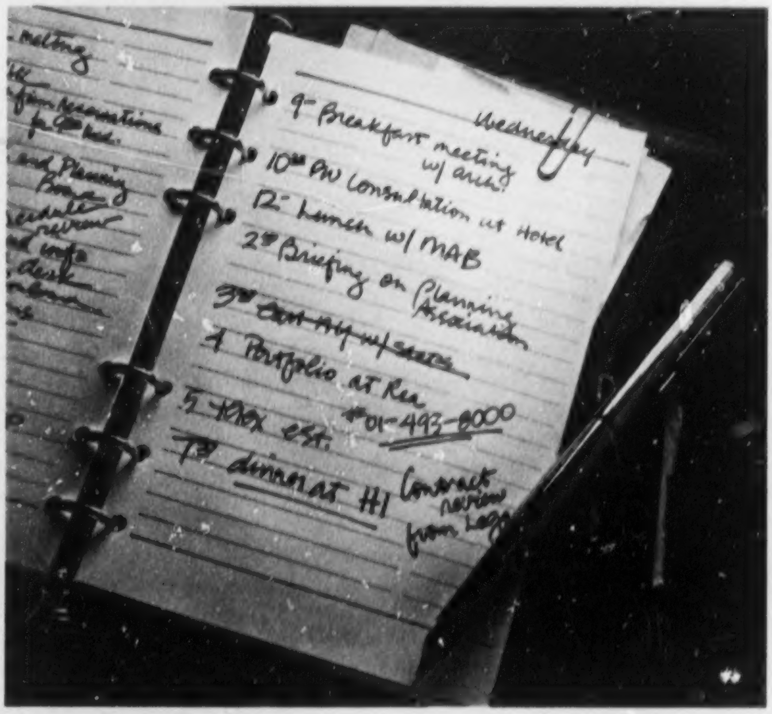

WHERE THE WORLD IS AT HOME℠

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Knowles Corp., once a well-known name in textiles, now concentrates on making dyes and chemicals for textiles and cleaning and maintenance products. Since sales of these products move up naturally with the economy, he expects the company's earnings to rise to $2.30 a share this year from $1.44 last year and to $3.25 in 1984. Yet, he notes, the stock sold recently in the low 20s.

Engelhard Corp., a leading maker of catalysts for various industries, used to be part of Engelhard Minerals & Chemicals (now Phibro-Salomon). It had a substantially above-average growth record, which was obscured because Phibro's results dominated the company. Engelhard has been independent only two years, and with few analysts following it, Glantz says, the company is little known. Engelhard's earnings fell from $2.46 a share in 1981 to $2.41 in 1982, but he thinks they will rebound to $3.40 this year and hit $4.35 in 1984. The stock traded recently in the low 30s. —A. H.

(continued)

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(3/31/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$19.08/share	$10,350	$14,292
per cent change		+3.5%	+42.9%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$106.81	$ 9,884	$12,335
ACCUMULATED INCOME		$ 91	$ 1,357
TOTAL		$ 9,975	$13,692
per cent change		−.3%	+36.9%
Money Market Fund	7.77%	$10,065	$10,805
per cent change		+.7%	+8.1%
Gold (Krugerrands)	$416.5/oz.	$10,371	$12,703
per cent change		+3.7%	+27%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$74,300	$79,300	$71,100
per cent change		−6.3%	+4.5%
New House	$79,700	$88,400	$ 90,000
per cent change		−9.8%	−11.4%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

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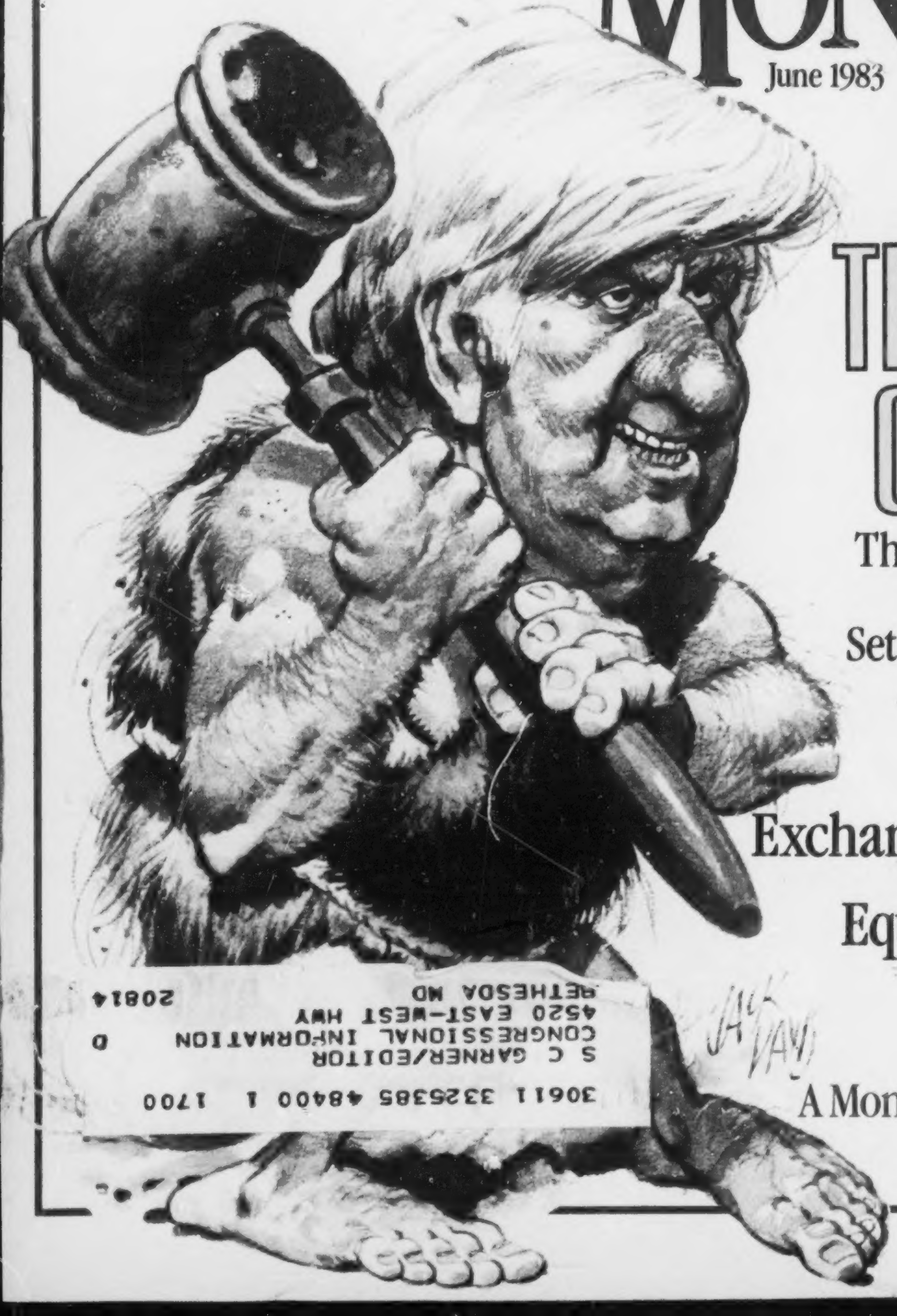

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MONTH

June 1983, Vol. 121, No. 6

Feature Departments

WASHINGTON

How Tip Took Charge 32
(Cover Story)
The powerful Speaker is setting the Democrats' agenda for 1984.

MONEY & MARKETS

New Strategies in Equity Financing 38
Companies are using novel means to market record amounts of new stock.

ECONOMY

Recovery: The Regional Outlook 44
The pattern is erratic, with the Sun Belt leading the way out of recession.

- **The Fed's Dilemma**
- **Dun's Survey: Rebuilding Inventories**
- **Walter E. Hoadley: No Time for Provincialism**

COMMUNICATIONS

A Long Shot Surges Ahead 56
Challenger American Satellite is beating out favorite SBS in corporate telecommunications.

MANAGEMENT

Uproar Over Options 60
Confusion surrounds the new wrinkle of buying them for stock instead of cash.

INTERNATIONAL

Have Floating Rates Failed? 66
Experts say gyrating currencies need a better gauge. But they can't agree on a substitute.

INDUSTRIES

Industry's Quiet Revolution 72
Once at odds, manufacturers and suppliers are now working together to cut production costs and improve quality.

COMPANIES

Texas' Triple-A Utility 79
A unique top credit rating gives Texas Utilities a powerful edge.

The Business Month

WASHINGTON

Reagan & business 13
Giving to government

ECONOMY

Robust recovery 13

MONEY & MARKETS

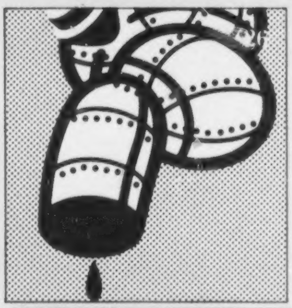
IRS vs. Toyota 14
South Dakota lures banks
Too many mergers?
Market breather
Expanding IRAs
New deposit insurance proposals

INTERNATIONAL

Thatcher's big lead 19
Saudi budget woes
France off course
Brazil-Mexico barter
First unmanned train
China's Western deals

COMPANIES

Grumman sues Rohr 25
Rouge steel deal killed
Sotheby squabble



INDUSTRIES

Pipeline cancelled 26
Profits bottom out
Pony Express rides again 27

MANAGEMENT

Allied folds golden 'chutes 27
Harry Gray's defense plan
Open window clobbers Kodak

MARKETING

Caffeine-free Coke 28

AVIATION

Spruce Goose goes public 28

ADVERTISING

J. Walter Thompson lawsuit 28

Letters 7
The census

Biz Quiz 9
Car lines

The Managers 113
The world's best-dressed businessman is camera-shy.

Managing Information 117
Integrating software

Personal Finance 121
- *Refinancing mortgages*
- *Venture capital tips*
- *Guaranteed bond funds*

Inventories: Back to Normal?

More managers plan to start stocking up, according to a Dun & Bradstreet survey.

There has been an upswing in business plans to increase inventories, according to the latest Dun & Bradstreet survey of managers' expectations. Since the survey was taken before the record-setting 1.1% March inventory drop, these intentions to restock empty shelves are especially significant and could propel the economy into a stronger and more sustained recovery.

Much of the sharp fall in March inventories was caused by strong final sales, which means businesses had to draw down stocks more than they planned. This practically assures a good second quarter as a short-term rebuilding takes place.

The question is: Will the inventory improvement continue?' During the lingering recession, business managers became particularly sensitive to overhead costs, particularly the burden of carrying inventory at high interest rates. Some economists believe this has caused a fundamental change in business attitudes and that the measured cost of carrying inventories now outweighs the perceived cost of losing sales when stock is not already on hand.

This seemed to be the case during 1982, when DUN's survey reported that only 30.5% of the managers planned to increase inventories, compared to 40.5% in 1981, on an annual average basis. But this year's first quarter jump, with 35% intending to stock up, indicates that a return to "business as usual" may be in progress, especially since the survey took place before the March inventory drawdown.

A growing number of executives also reported that they expected higher sales and profits, lower prices, more new orders and additional hires. This sudden pickup in spirits follows six quarters of pessimistic expectations, and the survey indicators are now at their best level since 1981's third quarter.

The rising optimism is even more striking when compared to 1982's last quarter. The number of managers expecting improved sales is up to 65% from 51%; higher profits, up to 57% from 44%; and more new orders, up to 65% compared to 47%.

—JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of the Dun & Bradstreet Corp.

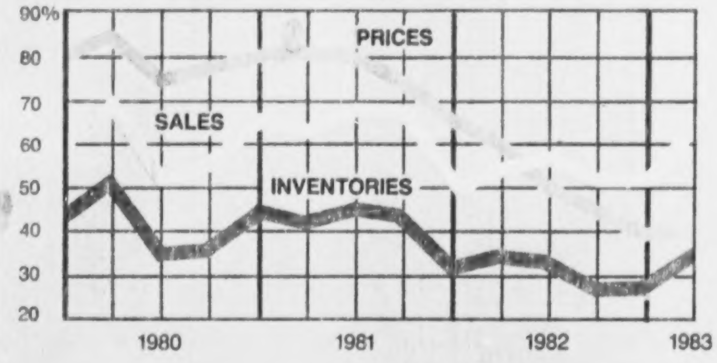
WHO PLANS TO STOCK UP

Manufacturers of non-durable goods have the most optimistic outlook, with 39% reporting that they intend to increase inventories. But among retail managers surveyed, only 28% plan to start stocking up.

Managers surveyed (by industry)	% Expecting to increase inventories
All	35%
Manufacturing	38
Durable	37
Non-durable	39
Wholesale	31
Retail	28

BUSINESS TURNS OPTIMISTIC

Management spirits have lifted considerably, according to the latest quarterly Dun & Bradstreet survey of business expectations. After a long period of pessimism, a greater percentage of executives anticipates improvements in inventories and sales—along with slower price rises.



graphs on one screen. Designed for the Apple II Plus, Apple III, or the IBM PC and Hewlett-Packard plotters (GraphPower does not work with printers), it sells for $295.

Using GraphPower on an IBM PC, Mountain Fuel Co., an energy company based in Salt Lake City, reduced the cost of producing its in-house computer graphics by more than 50%.

"We were producing charts and graphs for the planning conferences we have several times each year," says Kerry Price, modeling systems supervisor for the $500 million firm. "We did it on a Tektronix 4054 graphics terminal connected to an IBM mainframe."

"We were being charged $19,000 a year by our data center for the use of that terminal," says Price. "We bought the IBM PC, a Hewlett-Packard 7470 plotter and the GraphPower graphics software for about half that. That's a pretty good payback right there."

Graphics programs such as GraphPower and GrafTalk enable a user to create a series of graphs and then store them so that at a later time, during a business meeting for example, these graphs can be recalled by pressing a single button for each one.

Other graphics programs, known as "slide-show" programs, allow users to arrange an entire series of slides in a timed sequence. Once the show is arranged, the graphs will appear automatically on the screen of the computer (or an attached monitor) at preset intervals. Or the show can be operated manually, with a remote device similar to those used with real slide projectors.

Research Communications, Inc., a media research firm in Chestnut Hill, Massachusetts, uses a "slide show" program called Screen Director from Business and Professional Software of nearby Cambridge on an Apple II Plus computer to make presentations.

"We typically make a presentation with about 5-to-10 bar charts," says Linda Callahan, research projects manager. "We can actually set up the program in advance, and then plug in the numbers when the research is completed. Then the show is ready to run."

Actual 35 mm slides can be created from graphics programs used on microcomputers. But these slides will not have the quality that can be produced by dedicated graphics systems, such as the ones offered by Chromatics and Intelligent Systems Corp., both of Atlanta, or Ramtek of Santa Clara. These companies offer systems for under $50,000, while Genigraphics, of Syracuse, and Xerox offer systems for over $300,000 that represent the state-of-the-art in graphics slide making.

Next to these systems, the output of today's microcomputers will seem poor indeed. Yet, quality in business graphics is not what executives want. Rather, they seek an acceptable graphics capability that can be integrated with other functions, such as spreadsheet analysis and word processing.

Comshare of Ann Arbor learned this the hard way in 1980 when it introduced Execuchart, a graphics terminal that it calls "the ultimate executive tool."

"Executives just didn't use it," said a spokesman in Comshare's New York office. "They didn't want a terminal that would just do graphics." A year later, Comshare reintroduced the Execuchart as the controller terminal in the EMR graphics system it sells for IBM mainframes.

Because graphics is such a comparatively inexpensive add-on feature, it is pointless to ignore it. But graphics alone is not enough to get executives to sit down at a computer. There has to be additional benefit.

According to a report by International Resource Development, it is their "versatility" that will make microcomputers the leading choice of business graphics users. By the end of the decade, according to IRD, there will actually be more microcomputers used in graphics—as standalone systems and connected to bigger computers—than dedicated graphics terminals. In business, people want to do more than just look at pictures.

Beyond Spreadsheeting: New Management Software

Nothing has brought home more the value of microcomputers as a management tool than the introduction of VisiCalc, the first of the so-called spreadsheet software programs.

Brought into the market place several years ago, VisiCalc and the numerous spreadsheet packages that followed it were the reason many executives first began using micros. With spreadsheet programs, managers at all levels discovered they could readily cope with what heretofore had been one of the most time-consuming and tedious tasks—spreadsheet analysis.

This, of course, entails the pulling together, arranging, rearranging and evaluating of large, complex sets of data—reflecting sales, costs, profit margins and dozens of similar categories—that are the meat and potatoes of corporate planning, budgeting and report writing.

The spreadsheet programs organize this numerical data in tabular grids formed by tens or, if necessary, hundreds of rows and columns, and they recalculate, in a matter of seconds, all or any part of such a gridful of numbers. This second feature means that spreadsheet software can be used to find fully quantified answers to a class of questions that used to be largely unanswerable, except by guess and hunch: What if sales targets are exceeded? Or delivery times are stretched out? Or costs go up? Or interest rates drop?

Spreadsheet programs were phenomenally successful. In one year alone, Visicorp of San Jose, California, sold nearly 140,000 copies of VisiCalc and other vendors such as Sorcim, Santa Clara, California, and Radio Shack, Ft. Worth, Texas have also made significant inroads into the spreadsheet market, according to a survey conducted by *Software News* magazine.

Though VisiCalc and the other first-generation spreadsheet programs took most of the drudgery out of managerial tabulating and calculating, they were not without their drawbacks. Like the other software intended for the eight-bit micros of the Apple II era (Visicalc was designed to run on Apple machines or compatible eight-bit micros), this software was created to operate on a stand-alone or independent basis.

Therefore, even routine planning or

budgeting assignments often involved extensive switching back and forth between spreadsheet software and other stand-alone packages which were needed to handle related or complementary tasks such as retrieving data base information, producing graphics or performing word processing. This switching back and forth could take several minutes with each switch and required procedures complex enough to lead to frequent errors, especially when data had to be transferred from one program to another.

The early spreadsheet packages also proved to be underpowered for the number-crunching involved in extensive recalculation of large data arrays. Consequently, users might have to wait five or ten seconds for the complete answer to a particularly tricky what-if question. A succession of such delays often strained user patience.

Today, however, a new generation of spreadsheet software is emerging that combines the modeling or what-if capabilities of the early packages with other functions such as data base management, graphics and word processing —all in a single package.

The first integrated software designs started coming on the market about a year ago. So far, they have done well enough to prompt predictions of a multi-billion dollar annual sales level before the end of the decade. Apparently fastest off the mark was Lotus Development of Cambridge, Massachusetts, with its 1-2-3 system. Five months after this program's introduction and six weeks after shipment of the first production copy, approximately 10,000 copies had been sold, according to unofficial word from Lotus.

Like other second generation integrated software programs, 1-2-3 is tailored essentially to the IBM Personal Computer, the first of the 16-bit micros. In addition, a number of new second generation packages scheduled for introduction this summer will be compatible with other 16-bit machines besides the Personal Computer. Also, Apple Computer, has now weighed in with its 16-bit Lisa, the first micro of its type offering software that's actually built-into the computer.

The developers of these packages tended to concentrate on trying to improve either one or the other of these major shortcomings of the original stand-alone spreadsheet software. As a result, their designs mostly fall into two readily distinguishable categories, which are typified, in the view of many industry observers, by Lotus Development's 1-2-3 and the MBA program produced by Context Management Systems, Torrance, California.

In developing 1-2-3, which is often described as a "spreadsheet plus" design, Lotus unmistakably made an expanded and upgraded spreadsheet function its first priority. Its designers, therefore, provided modeling at five-to-ten times VisiCalc speed and eliminated just about all number-crunching delays. As Mitchell D. Kapor, Lotus' president puts it, "1-2-3 is a program for the power user—the manager who has come to think of the VisiCalc-level programs as so many subcompacts trying to do jobs for which a pickup truck is what you really need."

To go along with such high-powered modeling, 1-2-3 has extensive data base management and graphics capabilities, but its word processing function is rather rudimentary. There is no communications function, and Lotus has no plans to add one until after it has beefed up the system's word processing performance.

For Context's MBA program, the primary design objective was, equally unmistakably, a wide range of evenly balanced capabilities. MBA's word processing function is fully on a par with the modeling, data base management and graphics capabilities; there is also a communications feature that makes it possible to enter data directly from another computer. And whereas 1-2-3 cannot display spreadsheet material and graphics together on the same screen, MBA can handle four-way display splits, so that a spreadsheet tabulation, data base material and two different graphs, say, can all be viewed concurrently. With MBA, it is also much easier to produce reports in which tables, graphs and text are tightly integrated. All three, in fact, can appear on the same page whenever that's most convenient.

MBA pays for all this versatility in being slow—in some cases, slower than VisiCalc. In acknowledgement of the undeniable, it has a delay buzzer. If you don't want to sit and wait while the computer calculates, you simply enter a nonsense character after the command proper, and the machine will beep to tell you when it's done figuring, calling you back from whatever you've been doing in preference to twiddling your thumbs.

At $695, MBA costs some 40% more than 1-2-3. It still seems a bargain, though, in comparison with a functionally equivalent set of stand-alone packages, which probably cannot be had for less than $1,000.

In the opinion of Gib Hoxie, Context's president, the next major design objective for software of the MBA type will be to make it compatible with a much wider range of microcomputers. "Integrated software is aimed at the corporate market," he explains. "In this market, a lot of different micros will eventually be used—everything from machines that are mostly extensions of corporate data processing down to the micro in the briefcase. Naturally, corporations will be looking for software that

Major Microcomputer Software Vendors (Ranked by market share)

Application	Vendor	% of Respondents
Budgeting, planning, spread sheet	Viscicorp	49.2
	Sorcim	14.4
	Radio Shack	4.5
	IBM	4.2
	Apple	3.5
	MicroPro	3.3
	Hewlett-Packhard	2.6
	Microsoft	2.4
	All others (38 firms)	15.9

Source: 1983 Software News User Survey (425 respondents) will work with all these micros."

VisiCorp claims that, in its own second generation package, VisiOn, scheduled to reach the market this summer, there is an integrated software package compatible with an unprecedently wide range of microcomputers. It also says that VisiOn will offer added functional versatility.

VisiCorp obviously hopes that VisiOn will score a success comparable to that of VisiCalc in the era of the stand-alone spreadsheet programs. Its executives have repeatedly speculated that their new system might establish itself so strongly as the basic software combination for managerial microcomputing that other software firms will be prompted to turn to developing specialized add-on packages.

Like VisiCorp, Apple Computer says it is not bothered by having to come from behind in the post-VisiCalc race. Its hopes ride on the 16-bit Lisa computer that it started shipping in April.

In basic integrated-software functions, Apple claims Lisa can do anything that can be done by the combination of an IBM PC and any separate package like MBA. Furthermore, Lisa is said to perform better than any such combination when it comes to graphics display, control of the "cursor," or pointer, for picking out data on the screen, and a good many other detail capabilities. In most cases, Apple emphasizes, these improvements are based on Lisa's advanced hardware design features and so should pose a formidable competitive problem for strictly software oriented firms.

Industry observers generally seem disinclined to question that Lisa's "bundled" integrated software offers genuine improvements over earlier packages. They do question, however, the company's evident assumption that this will go far toward reconciling even corporate micro buyers to Lisa's unprecedented $10,000 price tag.

Teleconferencing: Meeting Via Satellite

A group of New York-based executives from a multinational corporation are meeting with their British counterparts. However, instead of having to fly back and forth across the Atlantic, the New Yorkers simply travel from their midtown Manhattan headquarters to the Hotel Intercontinental on 48th Street. There, thanks to satellite and an emerging management technology called teleconferencing, the New Yorkers are brought face-to-face with their fellow managers in London.

Teleconferencing has been around since the mid-1970s, but it is only now beginning to catch on with a number of corporations which employ the technology for a variety of functions including intra-company meetings, sales conferences and new product introductions, press briefings and analyst presentations. Even the White House has gotten into the act, as President Reagan is increasingly relying on national and regional teleconferences as a means of fund raising.

Today the market for teleconferencing equipment and services is put at about $100 million a year with that figure projected to double by 1984, according to a market study conducted by International Resource Development Inc., Norwalk, Connecticut. The technology itself is defined as two or more locations communicating via electronic and/or image producing facilities. Basically this communication takes three forms:

- Audioconferencing. Here there is no video. Participants communicate by voice alone.
- Slow scan or freeze-frame video. Here participants communicate by both audio and video, although the video picture is projected on the screen without movement and is changed or updated every 30 seconds or so.
- Full motion video. This is the equivalent of a "live" TV broadcast between teleconferencing sites.

The cost of these approaches can vary enormously. For example, a corporation that installs its own intra-company teleconferencing system with full-motion color transmission capabilities, high resolution graphic screens and high-speed, high resolution copiers or facsimile machines can run up a $1 million price tag before the first transmission is sent. Yet the same corporation can rent teleconferencing facilities from organizations such as Intercontinental or arrange to have a special teleconference set up for far less than what it would probably cost to bring the various participants together.

In turn, an audioconference, which uses standard telephone equipment and is set-up by outside companies that link the participating sites together electronically, may not run much more than $200 or $300 per conference depending on the number of participants and the length of the conference.

Transmission costs for freeze-frame conferences aren't much more expensive, and an intra-company freeze-frame facility can be set up for just a fraction of the cost of full motion teleconferencing.

Until recently, a company that wanted teleconferencing had to install a network of its own. This made the whole proposition so expensive that only big corporations that could write the seven and eight figure checks required to fund a full blown internal system could get into the act. At the directive of its president, Robert O. Anderson, Atlantic Richfield (Arco), as an example, has laid out an estimated $20 million to upgrade what had been a terrestial intracorporate network into a satellite system with extensive teleconferencing capabilities.

Other companies such as IBM, Aetna, Allstate, Mutual Insurance, Hughes Aircraft, DuPont, Exxon and Deere & Company also boast elaborate teleconferencing facilities.

Today, however, with the variety of approaches to teleconferencing expanding and the number of vendors on the increase, corporate users no longer have to go the all-or-nothing route. Indeed, many move into the technology on a piecemeal or contingency basis. "You don't have to be a top U.S. company today," says Greg Paulson of VideoNet, Woodland Hills, California, a company that puts together *ad hoc* teleconferences for corporate clients.

Some firms use audioconferencing as a preliminary step in videoconferencing. Bank of America, for example, has operated an audioconferencing network between Los Angeles and San Francisco since the mid-1970s, but only recently did the company begin experimenting with full color, full motion video conferencing between the two sites.

American Airlines, Storage Technology, Guardian Life and NASA are also audio users.

Audioconferencing provides managers with a cost-effective way of improving communications, cutting back on travel, and keeping tabs on the activities of field people.

The big rap against audio, of course, is that there's no picture. Increasingly, however, audioconferences are being supplemented by live graphics such as so-called "electronic blackboards" (participants write on these boards and their message is transmitted on a screen set up at participating sites), facsimile and high speed printers.

Consequently, even though participants can't view each other, they have access to the ancillary graphics and printed matter being presented during the course of the meeting. Audio-conferencing using supporting graphics is known as audiographic conferencing.

The major companies that provide audioconferencing or audiographic service include Connex International, Danbury, Connecticut, Darome, Inc., Harvard, Illinois, and Kellogg Communications Corp., Littleton, C orado. These companies use electronic bridging equipment to link their various sites together, and users call a central number at a prearranged hour to complete the conference.

Freeze-frame also has its adherents. The Bechtel Group, Boeing, Corning Glass Works and Ford Motors, among others, have had success with this approach, though its detractors assert that the still pictures that appear can prove distracting, especially since the pictures are sometimes out of sync with the audio.

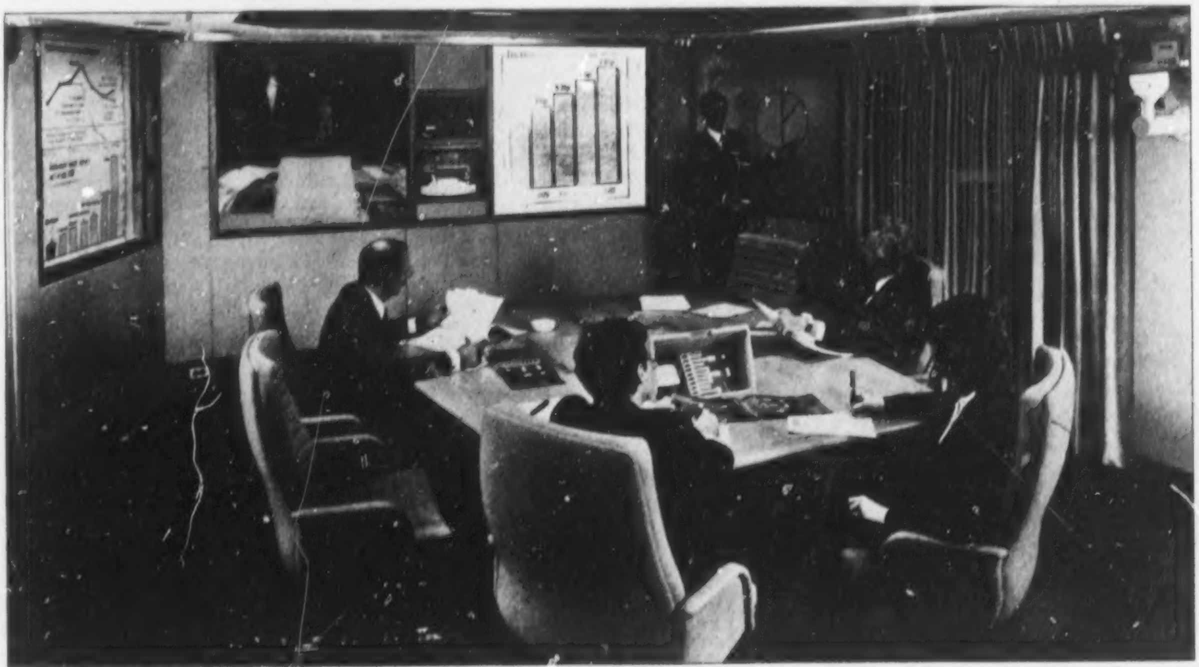
Philip F. Pagano, a principal with Comnet, a communications consulting group in Garden City, New York, believes that these arguments don't hold much water. "Most applications can be put on freeze-frame as long as the user knows what he's doing," Pagano says. "It's not glamorous, but it works and that's the bottom line."

Corning Glass's experience with freeze-frame is a case in point. Headquartered in a relatively out of the way place, Corning, New York, with divisions scattered throughout the East and Midwest, Corning found its managers were spending an inordinate amount of time shuttling back and forth between meetings. As an alternative to all this travel, the company weighed various forms of teleconferencing. Given the recessionary environment, full motion video was found to be cost-prohibitive; and since Corning needed to transmit pictures of its various products for analysis, audio was out. That left freeze-frame, and so pleased has Corning been with this approach that it has expanded its network and now uses freeze-frame as the basis for regularly scheduled sales and production meetings.

So-called *ad hoc* teleconferencing has also gained recent popularity. Here, the user rents teleconferencing facilities directly or hires an outside "producer" to arrange the entire conference, from renting transmission links to ensuring the information transmitted remains proprietary.

For customers who don't have their own meeting sites in place, AT&T offers what it calls PMS public rooms. Users with their own internal facilities can also use Ma Bell's PicturePhone Meeting Service for transmission. Satellite Business Systems, McLean, Virginia, also offers transmission capabilities.

Western Union recently entered this



The INTELMET videoconferencing room at New York's Hotel Inter-Continental is linked to an identical room in the London Inter-Continental. INTELMET is the first such facility open around the clock field through Western Union VideoConferencing in Saddle River, New Jersey. And a number of hotels and motels are also providing facilities and a full range of teleconferencing options. They include Intercontinental, Hilton, Holiday Inns and Marriott.

Usually the producers of *ad hoc* conferences—firms such as Video Star Connection of Atlanta (the firm that handles much of the Republican fund raising conferencing efforts), VideoNet of Woodland, California and Netcom International, San Francisco,—handle special events conferences such as a major product introduction or a national press conference.

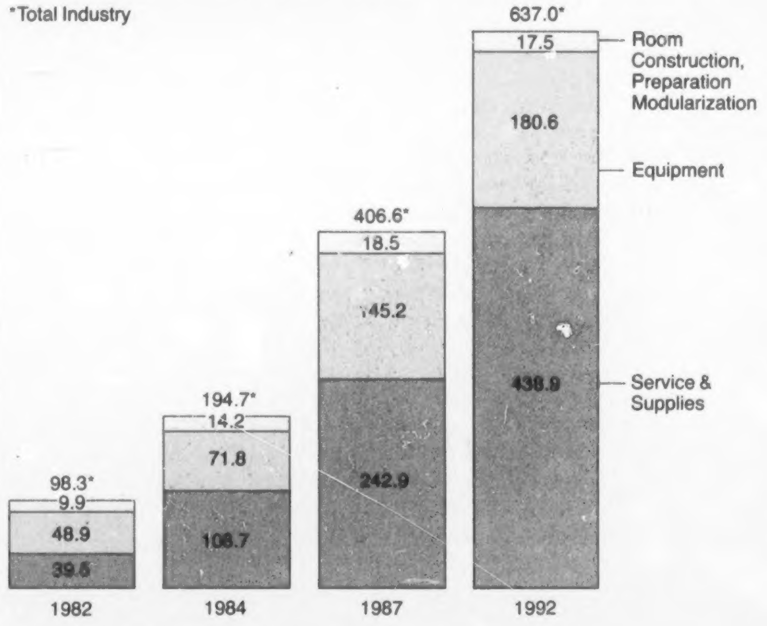
Typically, the special event conference features point-to-multipoint transmission, meaning, for example, the customer's senior management is gathered at one site or point, to make the presentation, while the presentation itself is beamed out to numerous sites around the country.

Users often pay a premium for these special events conferences because the producers add their cut to the satellite link costs, facility rental, etc. However, a number of companies use special events conferences as pilots for their own systems and consequently can justify the costs.

Those companies that do install their own systems complete with all the bells and whistles are typically widely dispersed, multidivisional concerns with a firm conviction that the use of leading edge technology such as teleconferencing can give them a leg up in managing their organizations effectively and more competitively.

M/A-Com, a high tech conglomerate made up of some 26 companies, is a good example of this. The firm's senior management uses teleconferencing extensively to manage all 26 companies from its headquarters in Boca Raton, Florida. Executives are able to exchange ideas quickly in a more disciplined atmosphere through teleconferences, the company asserts. Moreover, it no longer takes several days to pull together meetings. The bottom line: Today the company is being run on a leaner, more responsive basis than in the past. In no small part this is due to the use of teleconferencing.

Projected Total U.S. Teleconferencing Industry Revenues, 1982-1992



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Executive Workstations: From Promise to Reality

There's a new breed of machine in the office automation field that may one day find its way to most of the 40 million office desks in the United States. It's the executive workstation, a multi-function computer designed to automate white-collar work in a way never before dreamed of.

Combining the best of computer terminals, personal computers and telephones, the workstation has emerged as a high-growth submarket of the office automation industry. Already the field has attracted close to a hundred competitors among established office automation and computer companies; moreover, by the end of the decade, this new type of office equipment is expected to be as common as the telephone is today, according to industry observers, who estimate close to a half million of these devices will be installed this year alone.

While not everyone agrees on the definition of workstation, it is a term that has come to have significant clout in marketing circles where it is applied to both the slightest of personal computers and the most expensive of multi-function machines. In addition to established firms, several start-up companies claim to be in the workstation market and are seeking to fill niches where they see enormous opportunity.

"Workstation is the general name given to a terminal or small computer by

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(4/29/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Value of $10,000 if invested: Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.53/share	$10,760	$14,766
per cent change		+7.6%	+47.7%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$110.19	$10,316	$12,433
ACCUMULATED INCOME		$ 92	$ 1,328
TOTAL		$10,408	$13,759
per cent change		+4.1%	+37.6%
Money Market Fund	7.95%	$10,066	$10,825
per cent change		+.7%	+8.3%
Gold (Krugerrands)	$430.5/oz.	$10,332	$12,442
per cent change		+3.3%	+24.4%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$78,800	$74,700	$69,100
per cent change		+5.5%	+14%
New House	$87,600	$80,100	$ 95,700
per cent change		+9.5%	-8.5%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

Faris thinks the hot new area will be direct broadcast satellites (DBS). A major competitor to cable, DBS brings television signals to individual homes via low-flying satellites that beam directly to small receiving dishes. The new business opportunities will be in satellite franchises, in developing the galium arsenide chips used in the electronic works of the dishes, and in making and selling the dishes, which should retail for $300-to-$500 each. Faris expects this market to open up in the next two-to-three years.

Another explosive area of venture-capital investing is biotechnology, particularly its use in diagnostic testing. A host of small companies are working on antibodies that improve the detection of such conditions as pregnancy, anemia, specific cancers and infectious diseases such as herpes and venereal disease. Faris expects these products to come to market shortly. Then, perhaps a year from now, there will be a wave of new pesticides and animal vaccines. Finally, genetically engineered treatments for human diseases will come to market; they will take longer because of government testing procedures, he says.

There are many good investments in the new public offerings for careful investors, Faris believes. "Initial public offerings [IPOs] are pricy now," he says, "but they are not out of control."

He advises investors to look for familiar names when reading prospectuses. For example, he points out, some underwriters—such as Hambrecht & Quist, Alex. Brown & Sons, L. F. Rothschild, Unterberg, Towbin and Robertson, Colman & Stephens—specialize in new technology companies, so they have their pick of new firms and select those with the best potential. He also checks the background of a new company's managers in search of those who worked for companies he respects and inspects the board members and other investors—that is, venture capitalists or corporate investors—as an indicator of the quality of the company.

Faris says that IPO investors should scrutinize the business description section in the prospectus to see if a company's products fill a practical need. He believes the best investments are in companies that have leading positions in fast-growing markets, and the riskiest are likely to be the fifth-ranking company in the same business. "Does the world really need another one?" he asks.

Faris has a list of questions for executives who are invited to invest in a fledgling venture by a relative, friend, lawyer or accountant. After the initial "Oh, Lord, why me?" reaction, he recommends that the executive find out who else is investing and where the deal comes from. "Also, meet the entrepreneur and decide if he is a rational being who will listen to others," he says. And he strongly believes that a new company should have a strong outside board of directors.

Faris cautions investors to avoid cancer cures and wonder products. There are very few breakthroughs, and they are rarely successful businesses, he notes. Professional venture capitalists today are wary of revolutionary new products because the problems are often greater than the rewards. "We call it 'bleeding-edge' technology," he says. —A.H.

New Guaranteed Bond Funds

For investors who want tax-free bonds that can always be redeemed at par—like a money-market fund—Merrill Lynch, Pierce, Fenner & Smith has designed a new series of municipal bond funds. Merrill Lynch buys the bonds for each fund from a bank, which guarantees the principal against price declines by agreeing to buy the bonds back within six days' notice at their par value. "This is an investment for anyone who wants tax-free bonds for their income rather than for appreciation or speculation," states Norman I. Schvey, vice president and managing director of Merrill

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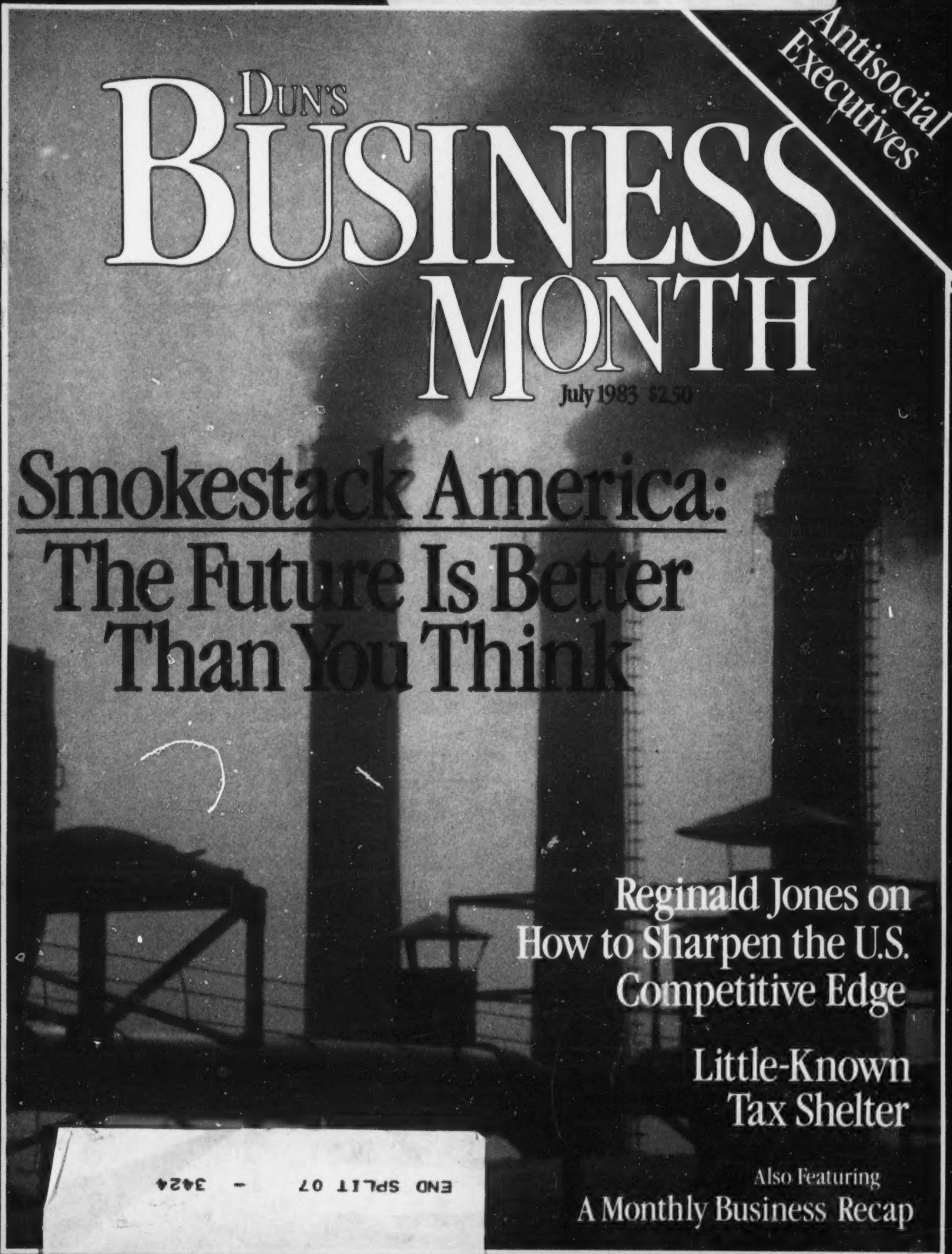

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END SPLIT 07 - 3424

DUN'S BUSINESS MONTH

July 1983, Vol. 122, No. 1

Feature Departments

61

ECONOMY

Smokestack America: The Future Is Better Than You Think 30
(Cover Story)
America's basic industries are being rejuvenated through new technology.

- **Reg Jones: How To Hone the U.S. Competitive Edge**
- **Arnold R. Weber: The COLA Constant In Union Contracts**

INTERNATIONAL

Europe's Slow Climb Back 44
Stymied by sluggish world trade and a strong dollar, the Common Market economies lag behind the U.S.

MANAGEMENT

The Antisocial Executive 52
Many companies are offering psychological counseling to managers with personality problems.

- **Executives Go Outward Bound**
- **Why Can't This Man Find a Job?**

MONEY & MARKETS

Money in the Wind 60
Big tax breaks are generating a growing California industry in wind-powered electricity.

MARKETING

New Strategies To Sell Hispanics 64
Segmenting by socioeconomic status and country of origin is the latest tack.

COMMUNICATIONS

Tough Times For Cable Networks 73
With demand for programming disappointingly small, most suppliers are losing money.

Letters 6
Boston compact

The Managers 76
A soft-drink executive is happy his competitors are unhappy.

Managing Information 79
Know your computer contract

Personal Finance 83
- *Low-risk play in market futures*
- *Planning investments with computers*

The Business Month

WASHINGTON

Business cool to budget 11
Grace vs. federal spending
Easing export sanctions
Casey's swinging portfolio

ECONOMY

Capital spending boom? 12

INTERNATIONAL

Thatcher power 13
Soviet slowdown
Mitterrand flipflop?
Multinationals knock France
Iran faces reality

MONEY & MARKETS

New England bank merger 19
"Window-dressing" on Wall Street

COMPANIES

Bells ring for rate hikes 19
Mahoney's move
Coleco unveils Adam
Caesars' marker policy

INDUSTRIES

Record oil lease sale 25
Sharp drop in mergers

MANAGEMENT

Tender offer proposals 25

ADVERTISING

TV ad clutter 25

CITIES & STATES

Austin wins R&D firm 27

COMMUNICATIONS

Comsat's new plans 27

MARKETING

Coupon "sting" 27

INVESTMENT UPDATE

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		Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	**$20.35/share**	**$9,912**	**$15,053**
per cent change		−.9%	**+51%**
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	**$104.25**	**$9,461**	**$11,805**
ACCUMULATED INCOME		**$ 89**	**$ 1,331**
TOTAL		**$9,550**	**$13,136**
per cent change		**−4.5%**	**+31.4%**
Money Market Fund	**7.83%**	**$10,065**	**$10,811**
per cent change		+.7%	**+8.1%**
Gold (Krugerrands)	**$417/oz.**	**$9,674**	**$12,927**
per cent change		−3.3%	**+29%**
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	**$79,700**	**$78,900**	**$69,300**
per cent change		+1%	+15%
New House	**$96,500**	**$89,600**	**$ 86,400**
per cent change		+7.7%	+11.7%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

Computer Programs Help Plan Portfolios

Attracted by time savings and the potential to improve their investment performance, an increasing number of investors are using personal computers to plan their portfolios. Catering to this growing demand are hundreds of software programs on market and stock analysis.

The programs help in three investment jobs: technical analysis, fundamental analysis and portfolio management. They run the gamut in capabilities and costs and, for an extra fee, they usually offer access to at least one public data-base service.

Programs offering technical analysis use charts, graphs and trend lines to make comparisons among stocks and overall market performance. For example, The Dow Jones Market Analyzer collects, stores and updates stock price and volume data that can be used to construct charts and has access to a data base with one year's historical information on common stocks. The Smart System by Software Resources, the most advanced technical program designed for individuals, tracks portfolio performances, designs complex charts and links up with two data bases. It costs $1,950 plus a license fee of $400 each year.

Fundamental analysis programs analyze and compare such corporate data as price/earnings ratios and dividends to help the investor decide what and when to buy and sell. The simplest program, Standard & Poor's Stockpack, follows stocks of 900 companies based on thirty variables. It costs $50, plus an optional $200 a year for monthly updates. The more complex Micro/Scan by ISYS Corp. stores 52 items of financial data on about 1,400 stocks, ranks the stocks by the data and supplies a monthly update. It costs $6,250 a year.

Among portfolio management programs, the simplest store stock data and recalculate the value of the investor's current portfolio as shares are bought or sold. More elaborate programs can track multiple portfolios and link up with data bases.

Several companies are now working on integrated programs that combine all three functions. Right now, both The Smart System and Anidata's Market Analyst do technical analysis and portfolio evaluation, but not fundamental analysis.

Among the data bases used by the programs, one of the most popular is the Dow Jones/News Retrieval Service, which offers market quotes, financial news from Dow Jones publications, 10-K reports on more than 6,000 public companies and information on 180 industries. The Source, from the *Reader's Digest,* offers market quotes and access to historical and current information on more than 4,000 corporations.

Given the abundance of programs available, consultants say, investors must be sharp shoppers who have a clear idea of how much data they need and their budget. They advise investors to sample programs before buying them, making sure they are easy to use and are backed by manufacturers' warranties and other supports.

The best advice on software, experts say, is often given not by sales people, who frequently aren't properly trained, but by user groups and publications. For example, a group established by the American Association of Individual Investors in Chicago publishes a newsletter, *Computerized Investing,* that evaluates programs. Considered a good primer in the field is *Micro-Computerized Investing in the Stock Market,* a booklet available from Investment Software Concepts in Yonkers, New York. For an objective rundown of the programs on the market, *A Guide to Investor Software* by the Clark Software Corp. in Shamokin, Pennsylvania, is also considered useful. —WENDY DILLER

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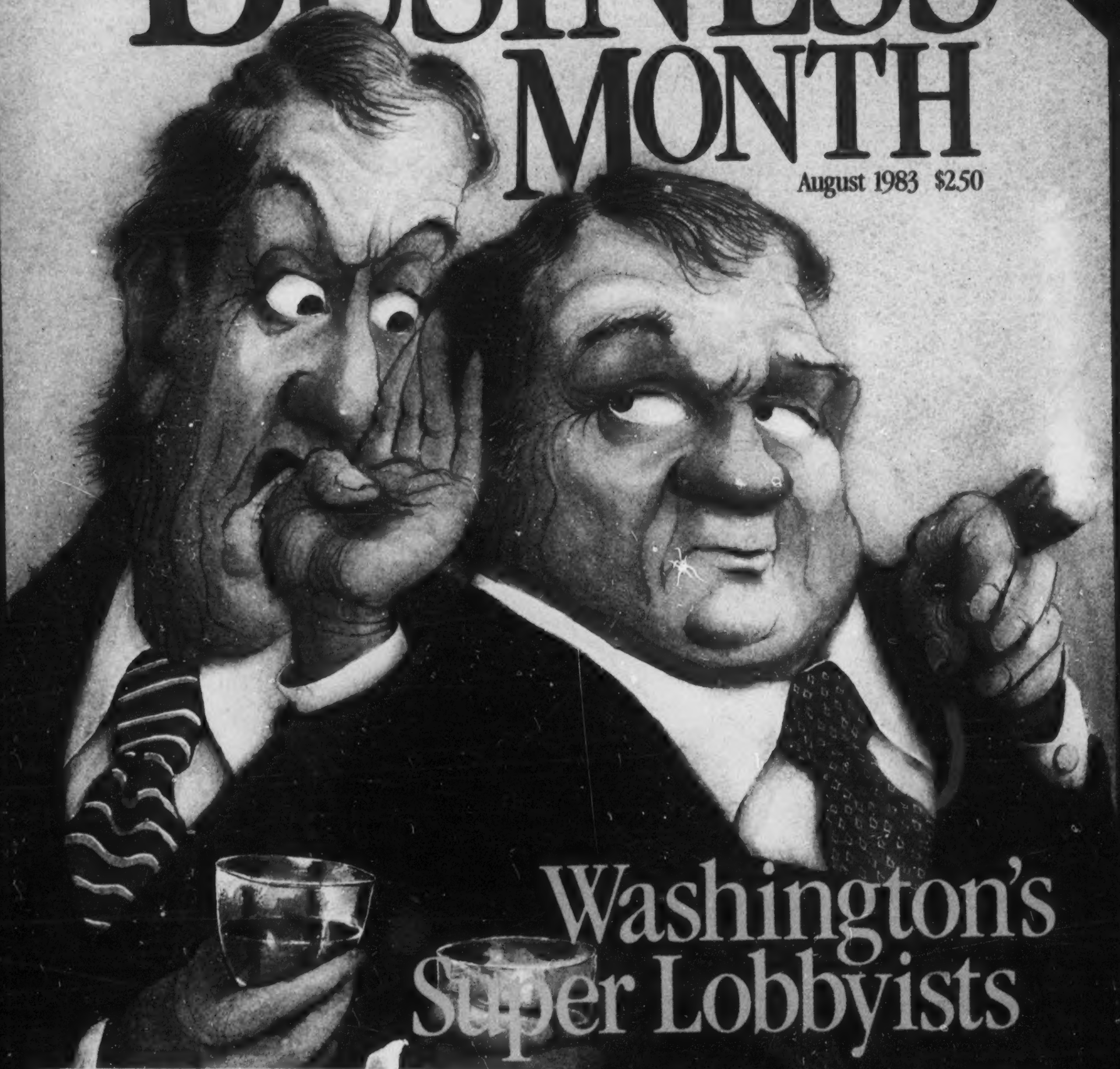
Battle Over The Board

Transforming Motorola

DUN'S BUSINESS MONTH

August 1983 $2.50



Washington's Super Lobbyists

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DUN'S BUSINESS MONTH

August 1983, Vol. 122, No. 2

Feature Departments

WASHINGTON

Washington's Super Lobbyists 30
(Cover Story)
They are the hired guns big business employs to fight its battles in the capital.

INTERNATIONAL

New Direction For the Common Market? 40
The emerging alliance between Britain and Germany could provide it.

ECONOMY

- **D&B 5000: Business Bets on Microcomputers** 45
- **Gardner Ackley: The Monumental Problems Facing Volcker** 49

MANAGEMENT

Crisis PR 50
How some companies coped successfully with unthinkable disasters.

- **Battle Over the Board's Role**

COMPANIES

Motorola's Transformation 60
A management trio has achieved a remarkable turnaround.

RETAILING

Is Government Soft on Price Fixers? 64
Critics accuse Washington of failing to enforce the fair trade ban.

ADVERTISING

Advertising's Worldwide Push 70
A number of agencies are going global by acquisition.

MARKETING

Computers Battle for Shelf Space 72
Marketing is more important than technology in the fight for survival.

The Business Month

WASHINGTON

No more from Congress 19

ECONOMY

Optimism spreads 19

LABOR

The Soviets and the ILO 20

INTERNATIONAL

Denationalization in Britain 20
China invites foreign investors
Sweden's worker funds
Little relief for LDCs

MONEY & MARKETS

Dirks' victory 22
The Fed's dilemma
New SEC commissioner

COMPANIES

AT&T loses Bell 23

AT&T to produce abroad
New life for mergers

INDUSTRIES

Steel gets protection 24
Autos gain speed

MANAGEMENT

The impact of unisex 25
Pensions and 401Ks
Executive pay dips

ADVERTISING

TV exclusivities 26
Less money for networks

MARKETING

Another cigarette brand 26

Letters 5
Regional outlook

BizQuiz 11
Name changes

The Managers 14
Riding to the rescue—again.

Managing Information 103
Reducing computer downtime.

Personal Finance 107
- *Dealing with mistakes by brokers and mutual funds*
- *A time to avoid trendy stocks*

Business Bets On Microcomputers

Among firms with 500 or more employees, 63% now use them, according to the Dun & Bradstreet survey.

Almost overnight, the small computer has changed the way U.S. firms do business, according to the latest DUN'S 5000 survey. Not since the advent of television has a product penetrated the market so rapidly: 63% of firms with 500 or more employees now use microcomputers, most of which were purchased in the past year.

Yet the survey also shows that business has barely scratched the surface of the possible uses of personal computers. Surprisingly, 37% of companies with 500 or more employees don't have at least one microcomputer officially in use. So far, the primary applications are accounting, financial analysis and word processing. But as new software is developed, the power of the personal computer will be harnessed to streamline sales, communications and other business functions.

Indeed, the ripple effect of the microcomputer phenomenon will equal that of other major technological breakthroughs such as the steam engine and electricity. A whole set of supporting industries is springing up: software, data bases and consulting.

At this early stage, the use of small computers is clearly related to size of firm: 70.3% of the largest companies with more than 5,000 employees are using them, while only 14.5% of establishments with fewer than twenty employees have taken the plunge. But the urge to get on the bandwagon is great: among small firms that do not yet own microcomputers, 44% plan to purchase them in the near future.

Uses of small computers vary by size of firm, too. Word processing was most popular among firms with 500-to-5,000 employees, while 40% of companies with fewer than 100 workers said accounting was the primary function. The largest establishments cited financial analysis and forecasts as the major application.

Microcomputer Use By Firm Size

The bigger the firm, the more likely it is to use small computers. What is surprising is the number of firms with 500 or more employees that don't have at least one officially in use. Here is the percentage of companies, by size, that use microcomputers:

1–19 employees	**14.5%**
20–99	**22.4**
100–499	**27.3**
500–999	**44.5**
1,000–4,999	**61.8**
5,000 plus	**70.3**

Who actually uses small computers varies by size of firm as well. Companies with more than 5,000 employees reported that 80% of their personal computers were used by professional and technical personnel. Managers and owners were the primary users in the smallest firms.

Clearly, the pace of change is even more rapid than anticipated. Despite the severe recession, the computerization of U.S. business is well underway. As the recovery picks up steam, and as new software and applications are developed, the impact of the computer revolution may exceed the predictions of even the most optimistic experts. —JOSEPH W. DUNCAN

How They Are Actually Used

In the larger companies, financial analysis is the major area in which microcomputers are used. Smaller firms find them most useful for accounting.

NUMBER OF EMPLOYEES	1–19	20–99	100–499	500–999	1,000–4,999	5,000–24,999	25,000 or More
Accounting	80.7%	66.9%	55.9%	56.9%	51.3%	63.5%	64.3%
Financial Analysis	59.6	61.3	66.1	67.7	69.8	80.0	80.0
Inventory Control	34.2	36.3	38.6	27.7	21.2	31.3	37.1
Purchasing	20.2	18.5	11.8	16.9	6.9	15.7	14.3
Credit Analysis of Customers	29.8	29.0	25.2	12.3	9.0	21.7	15.7
Word Processing	41.2	41.9	38.6	52.3	52.4	54.8	64.3
Database Management	36.0	35.5	32.3	35.4	25.9	40.9	47.1
Other	8.8	5.6	10.2	10.8	12.7	5.2	1.4

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

Corporate Aviation: At the Crossroads

Embattled and recession battered, business aviation rides out the storm and readies for economic recovery

"Any organization whose operations require frequent contact with employees and customers and whose needs are not efficiently served by available commercial air transportation can justify a flight department."

You'd expect that quote to come from a marketing type at a business aircraft manufacturer, but it came from Preston Parish, vice chairman of the board and chairman of the executive committee at Upjohn Co. during a university management seminar in February. Parish echoes the sentiments of a majority of America's business leaders who have seen the proven values of their corporate aircraft, not only during boom years, but also in recent recession-racked years.

Increasingly, since airline deregulation, the expression "you can't get there from here" reflects actual travel conditions, as the major "trunks" in their own fight for survival, were serving only 250 airports nationwide at the beginning of 1983. In fact, since 1981 alone, certificated carriers have totally ceased serving 66 airports.

True, commuter lines are taking up some of the slack, but in outlying areas flights are few and far between. Conversely, it's in just such areas that plant expansion is taking place, and where middle management and top executives are often required to travel.

Today's state of business travel requires no elaboration; anyone who travels is (or should be) well aware of the waste of valuable executive time and greatly reduced productivity when corporate aircraft aren't used. (Exceptions are, of course, routes with frequent schedules, such as New York-Chicago and the Boston-New York-Washington northeast corridor.)

Sales of corporate aircraft have been depressed during the past few years . . . no great revelation. But yet, despite the recessionary climate and the need to trim expenses, very few companies took the drastic measure of amputating the strong "right arm" of the company airplane.

Brian Barents, senior vice president, marketing, at Cessna Aircraft observes: "We've seen a prolonged adverse economic situation—and I think I can speak for the industry here—that had it happened ten years ago, it would have probably resulted in a mass selling off of company aircraft, since they were then perceived by many as 'percs'. Today, we're not seeing that at all; companies are actually using their aircraft more than ever, and I think that's a healthy sign. What it indicates is that companies are using airplanes for the *right* reasons and can readily justify those aircraft, just as they would a computer, punch press or any other piece of profitmaking capital equipment."

The Haves and Have Nots

Speaking of productivity, some very convincing, albeit circumstantial, evidence surfaces in the form of a study of companies in the *Fortune* 1000 by Aviation Data Service, Wichita, Kansas. The most recent findings revealed that 536 of the 1,000 largest publicly held corporations in the U.S. operated one or more business aircraft—a fleet comprising more than 2,229 aircraft.

Do these companies know something that the "have nots" don't? Perhaps, because the companies with aircraft had aggregate net sales of $1.6 trillion—better than *seven times* the net sales of non-operating companies. It may be a coincidence, but to most it's more evidence that corporate aircraft more than pulls its weight with the leading companies, as the accompanying chart clearly shows. It's certainly something to think about, especially for a company contemplating its first foray into the world of corporate aviation.

After the Fall

Discussing corporate aviation's recent history, John H. Winant, president of the National Business Aircraft Association (NBAA) recaps: "Prior to 1981 we had a period of exceptional growth —the 'greening' of business aviation, if you will—both in terms of demand for business aircraft, sales and deliveries. Somewhere between mid-and-late 1981, the effects of the recession caught up with the industry, and from that time through all of 1982 we were really in the doldrums as order books dried up and there were deep layoffs everywhere. I think we're beginning to emerge from that right now."

NBAA President Winant: "The signs now are very positive"

"Here's how I see the situation at the midpoint: A very large used, aircraft

Dun's Business Month Focus

A Special Report from the Business Department of DUN'S BUSINESS MONTH

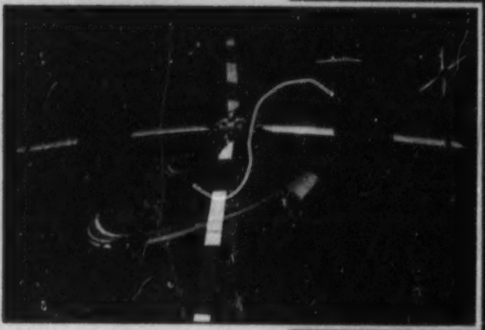
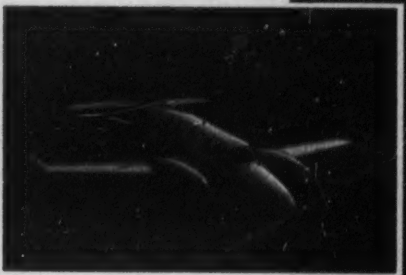


Photo credits: Sikorsky Helicopters (above); Piper Aircraft (below); Falcon jet



market is finally being cleaned out, which has to help the sales of new aircraft. Interestingly, throughout the period of lethargy in the industry, NBAA membership [consisting mainly of business aircraft operators] has remained stable. I think we're now poised right now to enter a period of tremendous growth in business aviation and what will kick it off is a return to reasonable levels of net profits throughout the business community. The desire to own company aircraft has been there all along—management recognizes its contribution—what's been missing for the past year and a half or so is the financial capability to make the investment.

In summary, the signs now are very positive that we've emerged from the bottom of the trough and are headed upward."

NBAA Convention Grows

NBAA, which lists 2,600 companies as members, holds an annual convention that among other things brings *everything* together—aircraft, equipment, suppliers, *et. al.*—for the shopping pleasure of corporate flight department personnel, as well as an increasing number of top level executives who, of course, have the ultimate say in the aircraft selected. This year's NBAA Convention in Dallas (October 4–6) is an excellent indicator of the positive attitude and optimism of the industry, judging by the record breaking number of exhibitors. (Readers wishing to attend a special NBAA executive briefing at the NBAA convention or simply brouse, can call Winant at (202) 783-9000 for an invitation.)

The General Aviation Manufacturer's Association (GAMA) which represents U.S. manufacturers, reported record dollars for each of nine years until 1982, when the roof fell in and unit deliveries slumped by 50% to 4,266 aircraft. Edward W. Stimpson, GAMA's president, notes that shipments correlate closely with GNP growth, new plant and equipment expenditures and, of course, after-tax corporate profits. As these go, so goes GAMA. Understandably conservative, GAMA nevertheless forecasts a total of $2 billion in sales on the delivery of more than 4,400 aircraft, a slight increase over 1982.

"The forecast is based on a gradually improving economy, but we'll really have to pick up in the fourth quarter of 1983 to meet our figures," Stimpson says. "We are bullish, nevertheless, as we're seeing a lot more interest from buyers, more corporate flight demonstrations and such factors as a *Wall Street Journal* study that showed 41% of companies surveyed indicated they planned to acquire a new aircraft within the next two years."

GAMA's Stimpson: "We're seeing much more buyer interest"

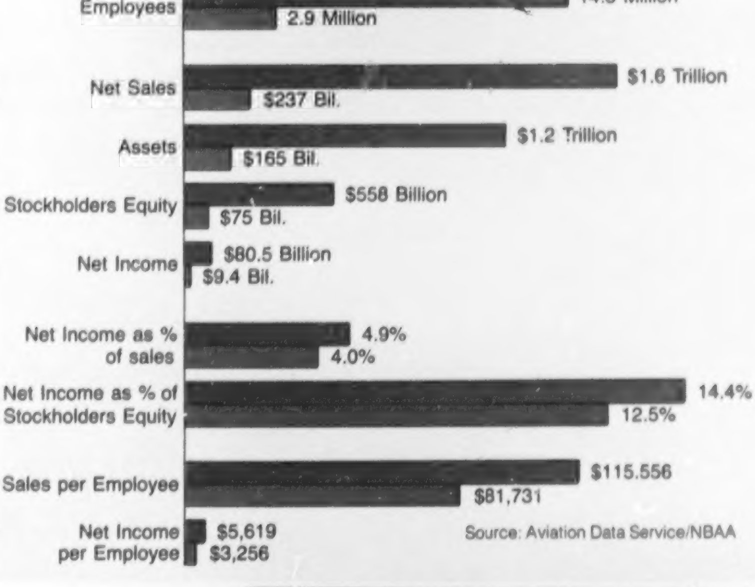
And What About Your Company?

If you already operate corporate aircraft, more power to you. If you're a company in an aircraft-acquiring mood, now that your profit picture is looking better, there's never been a better, nor more technologically advanced array of aircraft from which to choose. The key thing is, of course, that you select the aircraft that meets your present needs best, considering carefully the missions it must perform. In addition, you should also make sure your operation can genuinely justify the aircraft; this calls for a detailed feasability/travel study that if properly done should point to a particular category of aircraft.

The NBAA has come up with an interesting method to produce a figure for the value of an individual's time to the company, conversely determining how much the aircraft can save said company. Called the "Management Accountability Factor", it's detailed in the NBAA's current Standards Manual. In addition, *Business & Commercial Aviation* magazine has developed a kit, complete with fill-in plotting charts, titled "Justifying Corporate Aircraft" which will help you do just that. (For ordering details, see "Information, Please, page 100.)

Bottom Line: Operators vs. Non-Operators

The 1000 top industrial companies ranked by sales as listed each year by Fortune magazine



Source: Aviation Data Service/NBAA

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1983 Corporate Aircraft Roundup: Bigger and Better than Ever!

Assuming you've done your homework, justified the aircraft and generally know the type, (category) that will meet your company's needs best, you'll find an impressive selection of aircraft awaiting your inspection.

The following is not meant to be a comprehensive listing, but a manufacturers' overview to give readers an idea of "what's out there." There's plenty for sure; faster, more powerful, more economical and more reliable aircraft than ever before. Choosing can be confusing, to say the least, even for the most seasoned buyer. Highly recommended reading is *Business & Commercial Aviation's 1983 Planning Guide*, listed in the Information, Please section on page 100. And should your analysis point to a rotary wing aircraft, see our helicopter overview, pages 89–90.

The Astra from Israel

Long the American representative of Israel Aircraft Industries, Atlantic Aviation of Wilmington, Delaware, is eagerly preparing for the 1985 arrival of the Astra, IAI's latest entry in the bizjet sweepstakes. Billed as a Mach 8 jet with coast-to-coast capability (with payload of four passengers, their baggage and a maximum fuel load of 9,720 lbs), the Astra will feature a price tag slightly under $6 million, making it the costliest business jet yet marketed by the IAI/Atlantic Aviation organization.

"The Astra is a new technology, fuel-efficient airplane with very efficient cruise performance, exceptional range, and good short-field performance," says Atlantic vice president Lou Freedman.

The initial prototype Astra is now under final stages of construction at IAI's development center at Tel Aviv's Ben Gurion International Airport, where it will see light of day this September, with the first flight set for sometime in early 1984. Deliveries are expected to commence in September of 1985, says Freedman, claiming a total of 22 deposits already in hand from corporations waiting for the new IAI jet.

The new addition to the IAI/Atlantic business jet line does not mean the international team of manufacturers and marketers have plans to abandon its well-known line of Westwind I and II aircraft. The Westwind I and II are virtually identical aircraft, except for wing design, and in this case, that's what determines the performance characteristics of each aircraft.

Current prices for completed Westwind aircraft come to $3.7 million for a factory-equipped WWI and $4.4 million for the WWII.

Beechcraft Tops In Turbos

In 1982, while there were fewer dollars to spread around the turboprop market, Beech Aircraft managed to capture better than half the action. In fact, according to a Beechcraft spokesperson, "more jetprop aircraft have been produced by Beech than any other manufacturer in the world. This includes more than 3,400 Beechcraft King Airs."

While Beech has an extensive line of aircraft, ranging from single engine trainers to light piston twins, the all-time favorites are the King Air turboprops. The leader, the Super King Air B200, carries 8-to-15 passengers at speeds up to 333 mph and flies above 35,000 feet. It is the first corporate jetprop to feature the Collins Electronic Flight Instrument System (EFIS).

Beechcraft Super King Air 3200

Sweetening the pot for potential buyers, Beech guarantees wing life on the King Air series; in the case of the B200, for 30,000 flight hours or 30 years. Further, a new insurance program arranged by Beech can provide savings of "as much as 20% on hull and liability insurance costs . . . because of the outstanding safety record of King Airs."

Other members of the King Air family include the B100, accommodating up to 15 passengers and cruising at 305 mph; the F90, carrying up to 10 passengers at 307 mph and the C90-1, which has an improved high cruise speed of 273 mph and a service ceiling of 28,100 feet. All told there are six Beech twin turbo models.

British Aerospace Bullish

"We feel quite charged by the present selling atmosphere", says Leslie Tuck, president and CEO of British Aerospace, Inc. "We've sold nine aircraft since May alone and have many companies waiting in the wings for our new BAe 125-800, which made its first flight on May 26." While Tuck doesn't see sales going back up to 1979-1980 levels (the best ever for the corporate aviation industry) he, like most industry leaders, feels that the downtrend is finally reversing.

A great deal of the electricity in the air at British Aerospace has been generated by the aforementioned BAe 125-800, the latest version of the *very* successful BAe 125-700. According to Tuck, the BAe 125 series has registered more than 560 sales, 200 of which were the 700 series.

The latter will remain in production "as long as there's a demand", says Tuck. The 10-place 700 is powered by Garrett TFE731 engines, which give it a range of 2,500 nautical miles, while the new 800 model is the first recipient of Garrett's improved TFE731-5 engines which, in combination with a new wing, give the craft a range of 3,000 plus nautical miles.

"It has much better short field performance than the 700", notes Tuck, "and it's this 'long legs, short field' versatility that's making it so attractive to our prospects." The BAe125-700 sells for $5.7 million equipped, while the 800, which will be ready for delivery by the spring of 1984, will sell for $6.7 million.

British Aerospace is also reporting great interest in the corporate version of its turboprop commuter aircraft, the Jetstream 31. Instead of a 19-passenger commuter configuration, the "executive shuttle" version will sit 10-to-12 passengers in a large cabin with 6-foot headroom. The aircraft cruises at better than 300 mph and will sell for approximately $2.9 million, again, depending on interior specifications and equipment.

Cessna's III Cheers

The long range Citation III turbojet is the brightest spot in Cessna's 34-model lineup, according to Brian Barents, senior vice president, marketing, at the Wichita, Kansas, firm. "We invested some $260 million from retained earnings in developing the Citation III", says Barents, "which is a completely new airplane in every respect and not an update of an existing design. We've sold 140 and have begun to make deliveries. We're all excited about the fact that it's met or exceeded all the performance goals we set for it when it was first announced in 1976."

Viewing Cessna's array of models, that extends all the way from single engine piston trainer, through piston twins, turboprop twins and jets, for the industry's broadest line, Barents says: "During the recession we saw a weakening in the lower end of the scale at first at the single engine level. It gradually worked up through piston twins, turbos and finally the Citations. We look for the reverse to happen as companies gain confidence, that is, our own recovery should begin from the jet area and work its way down through the Conquest I and II turboprops and piston twins."

Cessna's Citation III is certified to 51,000 feet

Cessna will have delivered 15 Citation IIIs by the end of next month, and reports an order backlog that takes it through the end of 1985. "If there's any encouragement on the horizon, the Citation III is it", says Barents. The aircraft features a so-called "supercritical" wing and a roomy, stand-up cabin. The Citation III is certified to 51,000 feet and cruises at 474 knots.

The Citation I and II have, according to Barents, outsold every business jet in their respective categories. Specifically, 680 Citation Is (the low-end jet, priced at $1.9 million) and 475 Citation IIs at $2.6 million, since 1972 and the introduction of the Citation I. The first Citation IIIs delivered carried an equipped price of approximately $4.7 million.

Barents reports that share of market for the Conquest turboprop aircraft "increased dramatically since introduction in 1977, and this year we expect we'll be well over a 25% share of the turboprop market." The 305-knot Conquest II is priced at $1.7 million, while the 250-knot Conquest I sells for $1.2 million.

Challenger's Comeback

The Canadair Challenger is yet another business aircraft that traces its beginnings to the creative mind of aviation genius Bill Lear. In April 1976, Lear sold the exclusive production rights for a design called the LearStar 600 to Canadair, which rolled out the aircraft four years later as the Challenger 600. A wide-body, quiet airplane, the Challenger today is available in two editions: the 600, powered by Avco Lycoming engines, and the 601, a virtually identical aircraft except for its General Electric powerplants and "winglets" for improved performance. To date, nearly 80 of the 600s are in corporate service, along with sixteen 601s.

Most of the Challenger's early problems stemmed from its inability to meet pre-production range specifications. The range figures quoted by Canadair are 2,800 nautical miles for the Lycoming-powered 600, with a 3,200 nautical mile range possible by adding an additional fuel tank. The GE-powered 601 boasts a 3,500 nautical mile range. "The reaction from operators to the range question has been surprising," says Canadair spokesman Ken Romaine. "Some operators who took early delivery when the aircraft was rated to 2,800 nautical miles have so far expressed no interest in installing the extra tank."

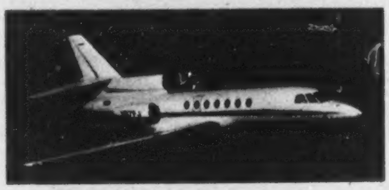
Range aside, Romaine feels the width and size of the Challenger's cabin has been primarily responsible for drawing many into the Canadair fold: "It's the widest cabin business jet flying and the ability of executives to get up and move about the cabin, coupled with the aircraft's intercontinental capability, are proving to be winners."

Romaine says that $8.5 million buys the Challenger 600 (in U.S. currency valued at the July 1, 1981 level, with escalators), while the 601 sells for approximately $10.2 million.

The Formidable Falcons

While Falcon Jet was by no means immune to recessionary forces, it kept up its marketing pressure, modifying an existing model, the Falcon 10, and introducing an up-to-date, fuel efficient variant of the popular Falcon 20. The former resulted in the new Falcon 100, a seven-place high speed jet (actually the fastest business jet flying today) that features a so-called "human engineered" interior by the renowned design firm of Henry Dreyfuss Associates and the state-of-the-art Collins EFIS-85 Electronic Flight Instrument System.

The ten-place Falcon 200, successor to the Falcon 20, features new internal systems and fuel efficient Garrett ATF3-6 engines that help the 200 to its announced 2,600 nautical mile transcontinental range. Both the Falcon 100 and 200 have been FAA certified and corporate deliveries are now beginning. In addition, companies owning older Falcon 20s have an opportunity to update, since Falcon Jet has announced a retrofit program that will enable such operators to have the new Garrett ATF3-6 engines installed for a reported "significant reduction in operating cost, as well as range increase."



Long-range Falcon 50, the only three-engine bizjet

Says Roy E. Bergstrom, senior vice president, marketing; "I think we're starting to see an upturn as more corporations review their improving profit pictures. In our own case, the turnaround began in May, when we sold ten new aircraft in a four-day period; eight Falcon 50s and two Falcon 100s." The Falcon 50 is an intercontinental three-engine aircraft that has become increasingly popular with corporations doing business internationally, since it has a range of better than 3,600 nautical miles. More than 120 Falcon 50s have been delivered worldwide.

While range is important, today's long distance business traveller wants plenty of "elbow room." However, until recently, corporate configured ex-airliners offered the only choice. Falcon's brand new solution, announced this May at the Paris Air Show, is the widebody Falcon 900, another trijet, based on the proven design of the Falcon 50. The 10-to-12 place aircraft has a projected range of 3,800 nautical miles.

At approximately $13.5 million (based on mid-1983 dollars), the new-generation Falcon will feature a digital flight instrument system and weight-saving composite materials. By the end of June, the Falcon 900 had already logged 26 orders.

The addition of the Falcon 900 to the 100, 200 and 50 models gives Falcon Jet one of the broadest business jet lines in the industry and, according to Dassault Chairman Benno-Claude Vallieres, "places us in an exceedingly favorable position to capitalize on the coming economic recovery."

The Pioneering Learjets

Any way you look at it, Bill Lear and the airplane he created defined the business jet and, in fact, the word "Learjet" is practically generic. Since those early days, the company Lear founded has placed more than 1,300 aircraft in service worldwide.

Playing no favorites, the recession has been damaging to Gates Learjet, although the company fared better than some competitors. In 1982, the company had total sales of $545 million, netting $14 million on sales of 99 aircraft. That was just slightly down from the previous year, the best in the company's history with a net of $22 million on sales of $564 million from 138 aircraft. "While we sold fewer aircraft in 1982, they were mainly Longhorns—Learjet 55's—which sell for around $5.5 million each, so our dollar volume per aircraft in 1982 was higher," explains Gates Learjet spokesman John Myers.

The Gates Learjet 50 series follows the trend toward larger business aircraft, with the Model 55 seating up to 12 passengers in a stand-up, walk-around cabin. However, despite this trend toward larger executive jets and the relatively healthy sales record of the Learjet 55, the firm's smaller 35 series is far and away its best seller, with nearly 500 aircraft in service worldwide.

Introduced in 1973, the 35 series was the first to use the Garrett TFE-731 turbofan engine. Much quieter and more fuel-efficient than their predecessors, turbofans helped propel the 35 series to the forefront of business aviation sales. Learjets led the way upward, as well as onward, when the Learjet 55 became the first jet approved for flight at 51,000 feet, well above the altitude routinely flown by commerical airliners.

Gates Learjet has not announced plans for any new aircraft and will stick with its Series 20, 30 and 50. Judging by the company's past performance, however, it would be wise to keep an eye on the makers of the revolutionary Learjet, because one can never tell when they're going to surprise the industry all over again.

Gulfstream Aerospace Accelerates

With its upturned wingtip "winglets", the Gulfstream-III is easily the most readily recognizable airplane on the corporate flight line. Its spacious cabin, impressive good looks and solid performance have more than offset the stiff $13 million-plus price tag. "It's a proven airplane, proven through the success of the Gulfstream-II," says GA spokesman Al Balaban. "No one has ever backed off on a G-III order, even when that meant waiting up to three years for delivery."

The initial popularity of the G-IIIs made them harder to get than a front-row seat to a Broadway hit. "The airplane met with a lot of acceptance when it was first introduced in 1979, and that flurry of initial orders accounted for the long wait most customers endured. After all this time, and a production rate of three G-IIIs a month from our Savannah plant, we're still booked until June of 1984", says Balaban.

In all, a total of 256 of the earlier G-IIs were built and as of the summer of 1983, some 97 G-IIIs had been delivered. Not to be left out, G-II owners have asked for a conversion program that would make something like a G-III out of their older aircraft. The result has been the G-IIB program, a $2.4 million modification involving the installation of a G-III wing, together with some structural work and new fuel tanks. To date, eight G-IIBs have been produced, with another 29 on the way.

GA recently announced plans for yet another large business jet—the G-IV. Slightly longer than the G-III, the G-IV will feature as standard equipment the very latest in advanced digital avionics.

The G-IV fuselage, two feet longer than that of the G-III, will add considerably to the aircraft's already spacious interior, while also increasing baggage capacity. GA is predicting a range of some 4,000 nautical miles, an improvement over the G-III, due in part to the G-IVs Rolls-Royce Tay engines. "The G-III and G-IV will share the same wing," says Balaban, "but the Tay engines will give us 15% better fuel efficiency, with lower noise."

Tentative plans call for the first flight of the G-IV in late 1985, with the first customers receiving their aircraft about a year later.

In 1981, Gulfstream Aerospace bought the Commander Division of North American Rockwell for a reported $25 million. In so doing, the Savannah, Georgia-based company acquired the rights to build one of the most popular turboprop series ever marketed (over 3,800 aircraft sold), but one that had fallen on hard times, due chiefly to a mushy aircraft market highlighted by a dearth of turboprop sales.

The Commanders have long been regarded as well-designed, dependable turbo-powered workhorses. The aircraft hold world performance records, the most recent set during an around-the-world flight by a Gulfstream Commander 1000 owned by Durakool, Inc. The nine-seat, $1.5 million airplane flew 20,062 miles from and to Elkhart, Indiana, in just under 76 hours, shaving more than 34 hours off the previous record, set by a Piper Cheyenne III.

Other aircraft in the Gulfstream Commander series include the Commander 980, a slightly less powerful cousin to the 1000, and the Commander 840, the lowest-priced of the trio.

Lear Fan Looks Ahead to '84

If all continues to go well, the revolutionary Lear Fan 2100 will be FAA certified under visual flight rules (VFR) by this December, followed by full certification by mid-1984.

It's been an especially tedious process with this unique aircraft, since the Lear Fan 2100 is built almost entirely of lightweight graphite/epoxy composites instead of aluminum, causing the FAA to set to work literally writing a whole new rule book.

The two Lear Fans currently in the test program have together accumulated more than 500 flight hours and, according to Boener, are "within 10% of projected performance figures, before improvements are made."

The pusher-prop twin turbine Lear Fan, the brainchild of the late Bill Lear of Learjet fame, has been pluckily pushed forward since his death in 1978 by his wife, Moya Olsen Lear, against the drag of both skepticism and shaky financing. The project was finally rescued by financing from the British government, as well as $85 million by the Lear Fan Ltd. investor group in 1982.

The forte of the 8-to-10 passenger aircraft is a near-jet cruise speed of 400 mph, coupled with incredible (projected) fuel efficiency that the company claims will allow the aircraft to fly some 548 miles on $100 worth of fuel, while showing direct operating costs of just 73¢ per mile! We shall see.

The firm price is now pegged at $1,963,000, without avionics. Add respectable equipment and you're up to approximately $2.2 million.

Lear Fan is now sitting pretty with a healthy two-year backlog at its Belfast, Northern Ireland, plant. The company is currently putting all its efforts toward certification, confident, no doubt, that the FAA seal of approval will lure many more new customers—especially if the low operating costs for its unique aircraft prove out.

Mitsubishi's Gems

The past several years have witnessed the entry of Tokyo-based Mitsubishi Heavy Industries, Ltd. into the hurly-burly of the executive jet market.

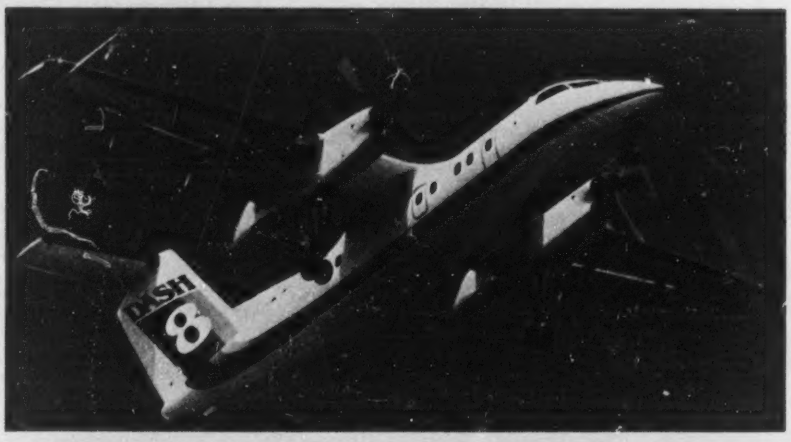
The Diamond I business jet arrived on U.S. shores just in time for the worldwide business recession, and as a result got off to a somewhat sluggish sales start. "Despite the recession we have made nearly 30 Diamond I deliveries so far," says Mitsubishi Aircraft International spokesman Patrick DeBlanc, "and have another 40 orders backlogged worldwide."

A Pair of Middle Management Movers

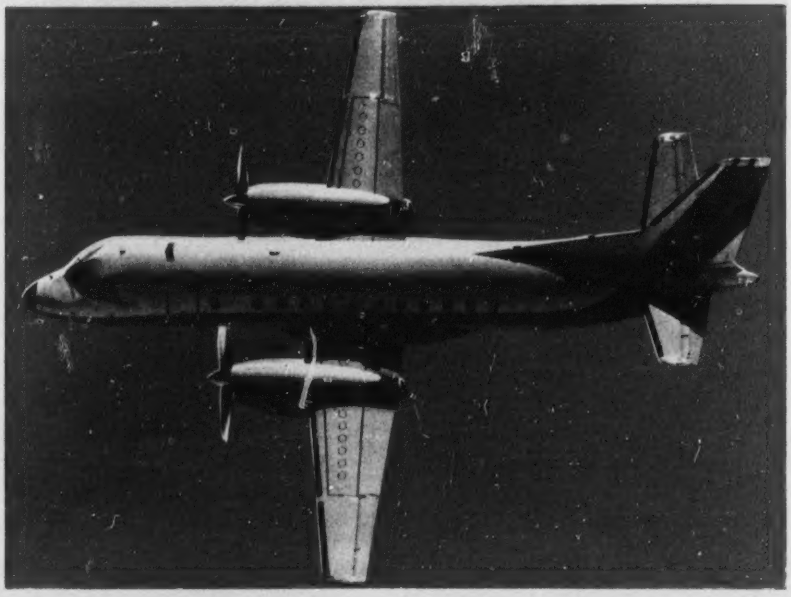
DeHavilland's entry into the growing market, estimated at 250 aircraft, for the middle management shuttle role, is the Dash 8, which made its first flight on June 20, 1983. The fuel efficient Dash 8 is being distributed for the corporate market in North America by Innotech of Montreal, which will also outfit the aircraft. The 300 mph-plus ship can be configured for 36-passenger, high-density use, or as a more spacious 12 to 14 seat executive type. First deliveries are scheduled to begin late in 1984. DeHavilland has logged 53 orders and 66 options for the commuter Dash 8 and is reportedly "close" to its first corporate sale.

More widely known in the corporate arena for its Merlin and Metro turboprops, Fairchild has joined forces with Saab Scania in a joint venture to produce the Saab-Fairchild 340 turboproper commuter, which is some 200 flight hours into its test program and well on the way to corporate market penetration, as the joint venture reports four such sales (three to Philip Morris, one to Mellon Bank) in addition to more than 100 orders for the commuter version. For Philip Morris, the SF340 will replace aging Gulfstream I turboprops; for Mellon, it takes over from a Sabreliner 60.

The commuter version seats 34, while the executive variety will accommodate from 12 up to 22, depending on the comfort whims of the buyer. Sales of the corporate SF340 are being handled by Fairchild Aircraft of San Antonio, Texas.



DeHavilland DASH 8 (top), Saab-Fairchild 340 (bottom)



"Aside from the economy, I'd have to say that the biggest obstacle the Diamond I had to face initially," DeBlanc says, "was its takeoff performance and range, but we now have a performance improvement program underway to get more out of the aircraft's Pratt & Whitney JT15D-4 engines, while greatly reducing the airframe weight." One of the Diamond's big selling points is its price tag. $2.6 million buys a typically equipped Diamond I, much less than many comparable business jets. The seven-to-nine-passenger business jet cruises in the neighborhood of 450 mph and has a maximum range of about 1,800 miles.

Mitsubishi also markets two-high-performance turboprop aircraft. In keeping with their gem terminology, the aircraft are named the Solitaire and Marquise. First built in 1963, the Mitsubishi turboprop series has gone through an ongoing series of modifications and improvements, and nearly 1,000 models have been sold worldwide. The chief difference between the two aircraft is size, with the 39-foot long Marquise transporting up to 11 people and the smaller Solitaire accomodating seven-to-nine passengers. The Marquise sells for $1.79 million; the Solitaire is $1.33 million equipped.

Piper Prep'd and Primed

Instead of acting gunshy and pulling back to a "wait and see" position, Piper Aircraft pulled out all the stops to be ready for the economic turnaround that's just around the corner by introducing *six* models over the last eight months . . . giving it a total of 17.

"We obviously believe in the future", says Piper's marketing director, John Leahy, "so what we've attempted to do is position ourselves strongly in a number of categories, and I think we've succeeded. For example, we've come out with the fastest piston single-engine aircraft on the market, that's also the only cabin class single—the *Malibu*. It can move six passengers at 246 mph, which is *really* moving. In fact, *Flying* magazine called it, "the most significant new general aviation design of the decade."

While single engine craft are generally for the entrepreneur/pilot type, Piper's other new (or improved) models start climbing the corporate aviation ladder with the Aerostar 700B, a six-to-seven passenger piston twin that cruises along in propjet country at about 300 mph. Third in the 1983 lineup is the Mojave, a cabin class 269 mph pressurized piston twin, followed by the Cheyenne IA, a 300 mph twin turboprop 8-passenger craft, "perfect for the step up from piston to turboprop", says Leahy.

Piper is placing heavy emphasis on its top two *very* high speed turboprops, the Cheyenne IIIA, available now to carry up to eight passengers in excess of 360 mph and the even faster Cheyenne IV, that can hit 400 mph. Scheduled for deliveries beginning in May 1984, the Cheyenne IV, with its 41,000-foot capability, goes head-to-head against the smaller corporate jets.

Explains Leahy, "We're definitely going to penetrate the light business jet market with the Cheyenne IV, because we're right up there in speed, have better short field performance, yet do it all on 35-to-40% less fuel, which should please a lot of corporate comptrollers!" The Piper Cheyenne IV will sell for approximately $2.2 million.

Piper's Cheyenne IV turboprop hits 400 mph at 41,000 feet

(Piper actually introduced a seventh aircraft in 1983, the 400 mph "Enforcer", a turboprop close-support aircraft based on the World War II P-51 "Mustang" and equipped with 30 mm cannons. It's currently under evaluation by the U.S. Air Force and *no*, there are no plans to market a corporate version!)

What about a Helicopter?

You've seen the ads, read the glossy brochures, talked to the sales reps. Maybe you've even gone for a test ride with a manufacturer. You've talked it over with your corporate travel and financial people, maybe even kicked the topic around in casual chats at your club. Or checked with other companies in your size range that operate helicopters. Now the time has come to make a decision. Does your company *really* need a helicopter?

"We generally cite $10 million in annual sales as the bottom line for a company considering the purchase of a helicopter such as the JetRanger," says Bell Helicopter Textron's director of commercial sales John Wright.

For a major company such as Allied Corp., the solution to shortrange travel woes was a Sikorsky S-76 corporate 'copter. Company headquarters are situated on a campus-like tract of land near the airport in Morristown, New Jersey, some 15 minutes by air from midtown Manhattan heliports.

Allied maintains a fleet of Rockwell Sabreliner business jets, whose use has been largely superceded by the S-76 on hauls of less than 300 miles. In this way, a corporate helicopter can save money by cutting down on the wear and tear on jets flown on comparatively brief flights, saving those aircraft for the long-range flights they perform more efficiently.

"For us, the primary customer is a big company with a flight department at an airport like White Plains or Teterboro that already operates a number of fixed-wing aircraft," says Aerospatiale's marketing manager Ralph Petragnani. "After that comes the company with three or four plants some 100-to-200 miles apart, a company with a good concentration of stops in a given area and a need to get people between those plants."

Commercial retailers have also discovered the helicopter. A number of retail store chains own and operate helicopters, whisking their people from store to store. Scotty's, a Winter Haven, Florida, chain of home hardware stores operates a Bell JetRanger III to shuttle personnel between its 74 outlets, as does the Indianapolis, Indiana-based Hook's Drugs.

John Wright of Bell feels strongly about the personal touch when it comes to selling helicopters: "We'll take the helicopter out to the prospect and put it in service with them for a short time. It's most effective on a short working trip, the kind of trip in which the CEO has to travel between a number of locations in a short time. The length of that trial period can vary, but we like to have it be enough to really put that helicopter to work. A quick run around an executive's travel circuit is what usually convinces them about the helicopter's value. We can show the customer what their own operating costs would be by way of a data management program that looks at cash flow and cost analysis."

For executives wary of delving into the sometimes bewildering realm of corporate helicopter selection and management, there are scores of reputable consulting firms specializing in aircraft and crew selection, maintenance supervision and management, heliport design and construction, and a host of other problems unique to rotorcraft use.

Both the Helicopter Association International and the National Business Aircraft Association are good data sources. —B.W.

Hi-Tech Helicopters Here

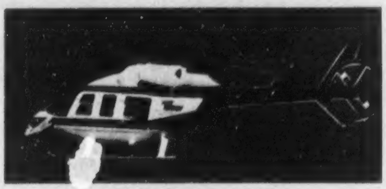
Not long ago an aeronautical consultant delivered a speech to a group of civic and business leaders representing a major city in the western U.S. His speech dealt mainly with helicopters and heliports, specifically on the far-reaching transportation potentials offered by new, "third generation" advanced technology rotorcraft.

As the consultant's speech progressed, he was becoming increasingly unnerved by the blank stares and quizzical glances he was attracting. "These people haven't the slightest idea of what I'm talking about," he realized.

On impulse he abandoned his prepared remarks and started to question his audience. "When you hear the word 'helicopter,'" he said, "what do you think of?" Amazingly, the answers were nearly unanimous. The aircraft these otherwise well-educated people associated with "helicopter" was the Bell Model 47, the "whirlybird" with the goldfish bowl cockpit familiar to viewers of the TV series M*A*S*H*, as well as—in 1947—the first commercial helicopter licensed in the U.S.

Aerospatiale's 175 mph Dauphin 2

However, today's helicopters, particularly those catering to the creature comforts of on-the-run corporate executives, are plush flying boardrooms with full amenities, including refreshments, radio telephones, comfortable appointments and climate control. Their hi-tech rotors, powerplants, and avionics systems compare favorably with equipment found in the most luxurious fixed wing aircraft. But there's one important difference: You can't land a corporate jet on the front lawn of your company's headquarters, or right in a busy city center.



Bell's new TwinRanger 400

It's this unique aspect to the helicopter, the ability to land and take off from virtually any level surface of sufficient size, that continues to draw executives from America's top boardrooms into rotorcraft cabins.

Vibration, the bane of early "choppers," has been largely eliminated by two major improvements. The first is through the use of advanced composite materials with strengths many times that of steel, including graphite/epoxy, carbon/graphite, Kevlar, and various combinations of even more exotic materials. Other improvements have focused on various hydraulic and elastomeric damping systems, many of which are nearly maintenance-free.

Main rotor blades have also been strengthened through use of sophisticated composites. Today, most corporate helicopters use one and often two jet turbine engines that produce much more horsepower, while weighing much less than piston powerplants. Other turbine payoffs come in the form of fewer moving parts, high reliability and less vibration.

The early helicopters were designed for flight almost exclusively under fair weather conditions . . . what pilots and the FAA call "visual flight rules" (VFR).

Today's third generation helicopters can fly as safely as fixed-wing aircraft and in the same adverse weather conditions, except when severe icing is likely. Automatic stabilizing devices and helicopter autopilots have greatly reduced pilots' cockpit workloads, while other pieces of aviation electronics (called avionics) have resulted in FAA approval for various helicopter types to fly under "instrument flight rules," or IFR conditions.

The early helicopters were slow and had severely limited ranges and payloads. Most of today's machines can whisk six-to-eight executives from midtown Manhattan to Washington, D.C., in not much more than an hour.

Interestly, several helicopter companies have staged races in which groups of executives traveled distances averaging 300 miles between city centers. The helicopters invariably won, partly because of their increased speed, and partly because the executives travelling in fixed-wing aircraft after landing became snarled in airport ground traffic on their way to midtown.

For those who still think of the early, pioneering "whirlybirds" when they think of helicopters, all that today's advanced rotorcraft offer may come as a surprise. But the findings are clear: For forward-looking companies in search of a way to get a step on the competition, the modern high-speed corporate 'copter offers a people-moving tool of unprecedented safety and efficiency.

—B.W.

Hughes streamlined model 530

The Financial Alternatives

Once you've made a careful evaluation and selected the aircraft of your dreams, it's time to face the financial realities involved to acquire it. Basically there are three sources of aircraft financing.

The most obvious—a bank—is generally the least viable, since few banks—aside from those with aviation specialists on staff, *i.e.* Michigan National Bank—aren't really interested in financing aircraft.

A second source of aircraft financing can be the aircraft manufacturer. Many provide financing through a finance subsidiary. At present, some manufacturer subsidiaries are offering highly competitive financing rates in an effort to encourage sales in a depressed aircraft market. However, these abnormally low rates are not expected to last for long.

The third and perhaps most consistent source of aircraft financing is an industrial finance company, such as CIT, G.E.C.C. and Commercial Credit/McCullagh. Such firms offer loans secured by fixed assets, as well as by the most important piece of capital equipment involved—the aircraft itself. The ability of these finance companies to recognize and work with a wide variety of corporate assets often simplifies the acquisition of an aircraft, especially for young and growing corporations. For instance, many finance companies will agree to accept additional colateral in lieu of a down payment, an arrangement known as "100% Financing." (Aircraft down payments generally amount to 25% on new and 20% on used aircraft.)

According to Steve Hartin, an aircraft specialist with CIT, the ability of a finance company to spot "hidden assets" can often be the key to a "100% Financing" type of transaction. Hartin maintains that equipment that is owned free and clear by a company may, because of inflation, have a much greater resale value than its book value carried on corporate balance sheets. This constitutes a "hidden asset" that can be applied as collateral to help secure an aircraft loan.

The terms of a typical finance com-

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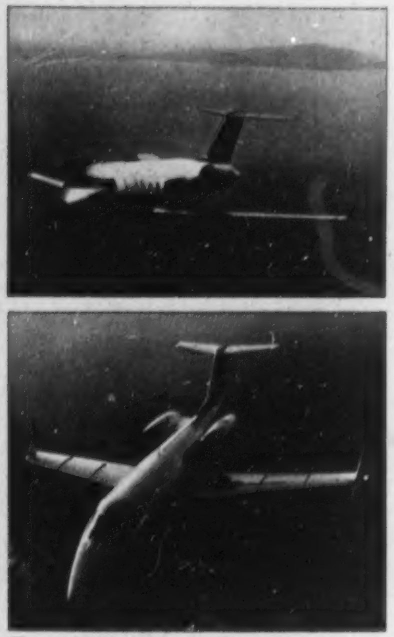

Two with "winglets": The Challenger 60 (top) and the Learjet 55 "Longhorn" (bottom). Winglets reduce drag, add lift and contribute to improved fuel efficiency

pany aircraft loan have traditionally averaged five years. However, according to Bob Leber, manager of the Aircraft Program at G.E.C.C., the trend now is definitely toward longer terms, up to 10 years in some cases, as a result of the purchase of larger, sophisticated aircraft, which are not only more expensive, but which tend to hold their values much longer, decreasing the lending risk.

Overall, the benefits of financing aircraft purchases through a financing company include keeping bank credit lines open for other uses, taking a depreciation allowance, owning the aircraft free and clear when the loan is repaid and, most important, claiming an investment tax credit.

The current importance of the investment tax credit is described by CIT's Hartin: "Since the 1981 changes in depreciation and investment tax credit laws, planes can now be depreciated over five years, instead of seven, and the 10% investment tax credit can be taken at the time of purchase, as long as the aircraft is kept for five years. But even if it is sold earlier, a partial tax credit is still available. Previously, a company had to own a plane for seven years to be eligible for full investment tax credit."

Logic of Leasing

Be that as it may, financing the aircraft purchase isn't the only way to acquire an aircraft. Another option is long-term leasing, which also provides a number of benefits. These include keeping the company's working capital and credit lines free for other purposes; the expensing of the lease payments, as opposed to carrying them as debt service, since the aircraft need not be shown as an asset (off-the-balance-sheet financing); and possibly claiming an investment tax credit.

While leasing historically hasn't played a large part in corporate aircraft acquisitions (only about 5% of corporate aircraft have been acquired through lease, according to Lauren Wallace of Commercial Credit/McCullagh), its popularity as an acquisition technique has been growing recently, probably due to overall economic conditions. According to the Aircraft Finance Association, there are two basic types of finance leases—the "Full Payout" lease and the "Residual" basic lease—and as you'd expect, many permutations and variations.

In the "Full Payout" lease, the corporation pays the lessor a monthly rental fee, equal to the amortization of the entire cost of the aircraft, plus a fair return for the lessor's interest paid on the aircraft. At the end of the lease, (seven years) the lessee may have the option of purchasing the aircraft for a nominal sum (*e.g.*, $1.00). In that case, the lease would not be considered a "true" lease by either the courts or the IRS, but rather a "loan."

In the "Residual" lease, the lessor places a value on the residual value of the aircraft at the termination of the lease contract; the lease is then structured to reflect the purchase price of the aircraft less the anticipated value at the end of the lease term, (5 years), resulting in lower monthly payments and a higher purchase option price on the aircraft at the end of the lease term. As a result of legal skepticism regarding full payout leases, and also as a result of the economy, the residual lease has been more popular recently.

Obviously, the complexities involved in the financing and/or leasing of corporate aircraft call for careful investigation. However, a great deal of time and misunderstanding in setting up the financial arrangement and selecting a source can be avoided, according to Lauren Wallace, aircraft product director at Commercial Credit/McCullagh, if there is total involvement from the outset by the corporation's financial staff.

In other words, don't leave it all to your overworked aviation staff. —T.R.

Outside Management Option Grows

The demands placed upon today's corporate flight departments are increasing constantly. As corporate aviation becomes entrenched as an essential business tool, more and more internal flight departments must deal not only with a greater number and variety of corporate aircraft and flight assignments, but also must deal with many of the same bottom-line pressures that are part of other corporate operations.

Those increasing demands sometimes tend to outstrip the managerial capabilities of the internal flight departments affected—whether they be small, newly organized departments, or even large, long-established ones. The solution to the problem that some companies have adopted is simply to turn the management of their internal flight departments over, in whole or in part, to outside management firms, who may also be involved in the sale or leasing of the aircraft.

Generally speaking, the advantages that a corporate flight department finds in outside management have to do with specialization and scale. Whatever the corporation's main business is, it certainly isn't running a "mini airline," which is what many corporate fleets have become in recent years. The outside management organizations and personnel, on the other hand, can provide levels of aviation and operational expertise (usually gained in military and/or commercial airline service) that an individual corporate flight department would be hard-pressed to match.

In terms of scale, it would take a large individual flight department, indeed, to match the economics and efficiencies that outside management firms realize by servicing many different corporate fleets at the same time, while providing them with everything from flight crews to flight training programs, insurance, maintenance and accounting. The aggregate of all those aircraft, crews, and programs can give the outside managers the kind of bargaining power and responsibility that the commercial airlines enjoy.

Executive Air Fleet (EAF), for instance, an outside management firm based in Teterboro, N.J., claims that it closely follows commercial aviation practices in the system of checks and balances that it uses in administering the full management package that most of its corporate clients select. According to James Christiansen, VP, EAF management sales, the flight standards department frequently develops flight procedures that exceed those recommended by the aircraft manufacturer as well as those mandated by safety by the FAA. Then, after a training syllabus in the EAF procedures has been administered, a newly hired pilot is closely monitored for his first 25 hours in flight by an EAF check captain to verify his competence in handling an EAF-managed plane. The stringent procedures apparently pay, since EAF has logged more than 33 million miles of accident-free travel since 1961.

British Aerospace's BAe 800 first flew at the end of May

Dallas-based Jet Fleet corporation is another leading management firm, right up there in terms of size and safety. Jet Fleet owns several aircraft of the 23 under its aegis, and has rolled up more than 28 million accident-free miles since its founding in 1970.

An important cost control technique that outside management firms are uniquely suited to carry out is aircraft chartering. A short haul flight, for example, may be more economically arranged using a chartered light aircraft, or even a helicopter, belonging to another firm, rather than the corporation's own long-range jet.

On the other hand the same corporation's idle aircraft can be put to revenue-producing use by chartering it, in turn, to another company. An outside management firm, with the responsibility for managing many different corporate fleets, has a large number and variety of aircraft that it can arrange to charter between its various corporate clients. The fact that few of today's corporate aircraft carry corporate markings helps to facilitate chartering since, obviously, executives from corporation "X" would prefer not to arrive in a plane with company "Y" livery.

One of the major factors causing some larger business aviation operators to move toward outside management is the growth of international business flights, prompted by the introduction of business aircraft with intercontinental capability such as the Gulfstream III and Falcon 50. Since few corporate flight departments are equipped to efficiently handle the complexities involved in filing foreign flight plans and essential details, such as arranging fuel and maintenance services abroad, the larger outside management firms now maintain foreign affiliates to handle such tasks for clients.

The increasing volume of corporate aircraft at work in foreign environments is yet another indication that many flight departments have evolved into airline type operations—entities that require considerable managerial sophistication and resources in order to function as the vital business tools that are intended to be. That's why more and more corporations, both large and small, are turning to the outside management option. —T.R.

Essential Cargo: Insurance

Never have so few dollars bought so much protection. That precisely describes today's aircraft insurance market, and industry leaders see it continuing. It's mostly a case of supply and demand, according to John V. Brennan, president of United States Aircraft Insurance Group (USAIG).

Says Brennan, "There's a large amount of insurance spread over a relatively small number of risks (corporate aircraft), and intense competition has simply driven the price down. In addition, corporate aviation has compiled an excellent safety record and that, too, has had a positive effect."

Competition notwithstanding, a professional underwriter is not about to bend his rules to sign a client, and most will insist on operators meeting stringent conditions before a risk is accepted. Generally, any insurance company with a commitment to the aviation industry will be favorably influenced by the overall quality of a company's flight operation. What underwriters consider, among other factors, are the backgrounds of aviation department personnel and the pilots' ratings and experience. (Air Transport Pilot (ATP) ratings are looked on with favor and regarded the PHDs of the business.) The amount and type of ongoing training given pilots and the maintenance program followed also count. An underwriter is *most* pleased when procedural items are clearly spelled out in the flight department's operations manual, which is often subject to review and approval by the insurance company's staff.

Basic aircraft coverage usually includes physical damage to the aircraft (hull insurance), aircraft liability coverage (bodily injury and may include property damage), airport liability coverage (bodily injury or property damage on the premises), worker's compensation (flying crew coverage) and aviation products liability (covering faulty work by manufacturers, modification centers and other suppliers). Nonownership coverage is also available for companies that use chartered or borrowed aircraft from time to time—whether they own their own aircraft or rent/charter exclusively.

"The point is, you don't have to accept 'boilerplate' policies", says USAIG's Brennan, "since a qualified firm can carefully analyze your needs and give you expanded coverage to meet them."

Everyone seems to understand hull insurance, since it amounts to protection of an asset. But with liability coverage, the biggest bargain of all, it's a different story. "People tend to think solely in terms of asset protection", says Brennan, "failing to consider that the passengers being carried in their aircraft are valued employees, suppliers, customers—even friends and family members. The owner has an obligation to these people to 'do what's right'; to ensure that the level of protection is adequate. In fact, we have minimum liability amounts established by aircraft class and passenger capacity that a company must meet in order to be insured. The way we see it, if someone is trying to get by with, say, a million dollars liability coverage, that's definitely poor judgement, and we'd have to question his judgement in other areas of the flight operation. To us, adequate liability coverage is just another aspect of underwriting . . . something to be weighed in determining acceptability of the risk."

How inexpensive is increased liability coverage? Taking the example of a typical seven-to-nine place jet aircraft, the premium for $20 million in coverage would be approximately $1,200 annually. A 150% increase to $50 million would cost an additional $1,600, while doubling that to $100 million tacks on just $900 more. Clearly, it doesn't pay to be penny wise in this important area, especially considering the sizes of today's claims and jury awards.

One incentive to a well-run flight operation is, of course, being accepted by the underwriter in the first place. Another is reduced premiums. While such reductions haven't been very significant due to already-low rates and the current buyer's market for aviation insurance, a new plan was recently announced that may help efficient and safe corporate operators. According to Dan Izard, senior vice president of Associated Aviation Underwriters, the firm's "Vista Insurance Plan" grew from an extensive nationwide dialogue with operators who wanted their safety efforts recognized tangibly.

"What 'Vista' amounts to", says Izard, "is a form of profit sharing among a preferred risk group." The group will presumably have fewer claims and part of the reduced cost to AAU will be passed back to group members.

The "Vista" plan, announced on

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with asssets over 6.2 billion dollars.

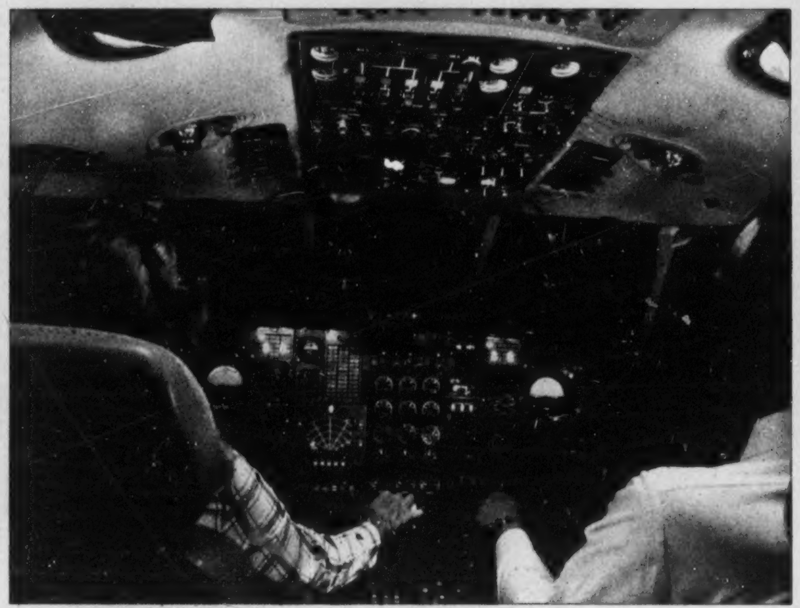
May 1, 1983 has several stipulations for "membership." Obviously, the company must be acceptable as an overall risk to AAU. Also, the firm's pilots must be enrolled in a recurring training program that is acceptable to AAU. (Read "simulator", since very little such training is now carried out in actual aircraft.). Also, there must be a flight operations manual that has been approved by AAU's safety and engineering experts. Finally, the firm must be a member of the National Business Aircraft Association (NBAA). Of course, none of these requirements is unreasonable.

AAU's "Vista" policy has a three-year term, with annual reviews of each insured, as well as the group. The insured company gets its share—or rebate—based on its own experience (no loss-reduced premium), as well as that of the entire group. If the latter lives up to its "preferred risk" rating, there is a further premium reduction for each company in the group. Izard reports "excellent response" to the new policy.

Presuming you already have or will soon set up a top-notch flight operation, what should you look for in an aviation insurance company? The consensus seems to be a combination of service, responsiveness and experience. Buyers tend to concentrate on price, but that's the easy part. It's much tougher for an underwriter to explain what a true quality product includes. For instance, safety and engineering evaluations at no charge, fast claim payment, the ability of the insurance company to select defense attorneys who really know the field, the ability to screen and select competent repair stations to minimize downtime—these are the important intangibles to look for when selecting an underwriter.

Summarizing the aviation insurance situation, the more professional, organized and safety-conscious a flight department is, the more acceptable it is to the insuror. And, most important, the less the likelihood of accident.

As the NBAA sees it: "Accidents generally fall into two categories: acts of God and acts of man. Over the years, God has been very lenient, as 84% of all aircraft accidents are acts of man." That would seem to be sufficient reason for not scrimping on aircraft insurance, *especially* liability. Airframe values notwithstanding, as USAIG's John Brennan says, "You owe nothing less than sufficient coverage to your passengers; it's an obligation." —J.F.C.



Insurance underwriters highly recommend recurrent training in sophisticated simulators. FlightSafety International's, shown here, dominates the field, but a new entrant, Simuflite, is on the way

New Life for Aging Aircraft

Business aircraft, especially the top-of-the-line models, age extremely well, both in terms of airframe and powerplant. They're built to last and the more popular types (Gulfstream, Falcon, Learjet, HS125-700, *et.al.*) tend to hold their value and may even appreciate over the years.

But as sound as the structure may be, corporate aircraft, much like the family car, *do* show surface wear and tear. Fortunately if a company has decided to keep an aircraft, whether for economic or sentimental reasons, there are skilled firms nationwide that can give it a whole new suit of clothes, and go several steps further—*e.g.* new wing, new fuel-efficient engines, hi-tech avionics—to create, in effect, a new and improved aircraft.

Modification and Completion centers, though they'll take on virtually any aircraft, tend to develop reputations and specialties based on specific models. For example, Canada's Innotech has a strong appeal to HS125 and Challenger owners, while Dee Howard Company lists many executive conversions of airliners among its credits. Page Avjet has become a Gulfstream expert over the years; even handling the extensive retrofit, new wing included, that turns a Gulfstream II into a GIIB, an almost-Gulfstream III.

There are more than forty centers nationwide that will handle anything from total completion of "green" bare metal aircraft, right from the factory, ("green" refers to the color of the primer coat on the aircraft) to the simplest refurbishing contract.

According to Tony Busch, vice president, Marketing, at Page Avjet, refurbishing can actually result in a superior aircraft, due to the advances in lightweight materials and avionics in recent years. He explains, "In a major refurbishment, where we totally strip the interior, the addition of new lightweight materials would allow more equipment or passengers to be carried, or be translated into greater range. The overall aircraft weight reduction gives the operator more options. Of course, in any major modification, downtime is the operator's enemy and our current R&D program is concentrated on developing modular interior designs so we can turn an aircraft around in a minimum amount of time. Operators simply can't afford to have multi-million dollar aircraft sitting around idle for very long."

It's critical to define the scope of work, and Page Avjet suggests the following as a basic glossary, so all parties involved are speaking the same language:

"Re-Rag"—As the name implies, industry slang for simple reupholstery, carpet replacement, headliner touch-up curtains and window shades.

Refurbishment—generally refers to complete interior work, usually including floor plan, as well as exterior paint. Scope varies greatly so be sure it's all spelled out.

Major Refurbishment—involves total stripping of interior for rewiring, soundproofing, cabin design, floor plan and replacement of hardware such as seat frames, galley, cabinets. A good time to have an avionics upgrade done simultaneously.

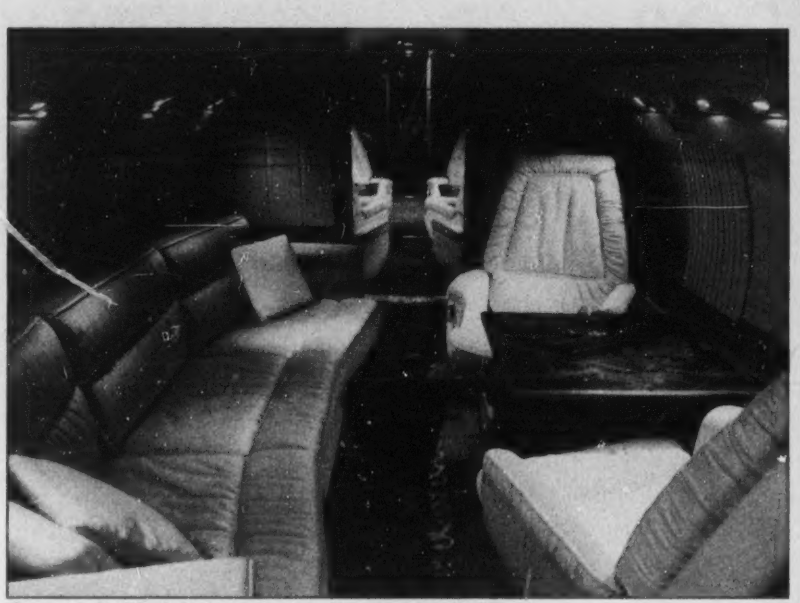
Outfitting—refers to installation of interior and cockpit systems in a new aircraft.

Avionics—include navigation, communication and flight instruments and control systems.

EFIS—stands for Electronic Flight Instrument System, the current state-of-the-art instruments that display flight data graphically on CRT tubes and take the place of standard electro-mechanical instruments.

STC—(Standard Technical Change) refers to FAA certification required for modification work done on aircraft that changes its flight characteristics or factory systems. An addendum to its airworthiness certificate.

While a simple interior refurbishment along with exterior paint for a Gulfstream II recently cost $70,000 and took under two weeks to complete, a major refurbishment on a 727 airliner—converted to corporate use—might easily cost up to $3 million. Where your aircraft fits between the extremes depends on needs and budgets, but bear in mind that besides having a respectable aircraft in which to transport your own executives or clients, you'll also have an aircraft that's also more attractive to a prospective buyer down the line, which should result in a higher resale value and a healthy return on your refurbishing investment. —J.F.C.



Custom-finished Gulfstream interior by Page Avjet

Information, Please

NBAA Publications

National Business Aircraft Association
One Farragut Sq. So. Washington, DC
20006 (202) 783-9000

- **Recommended Standard Manual** contains virtually entire body of knowledge on corporate flight department operation. Highly recommended for establishing new flight department or monitoring existing one. Covers aircraft ownership, management and administration, flight operations and maintenance. $25 in binder, for nonmembers. (Credited against first year's NBAA dues.).
- **Membership Packet** tells you all about NBAA and contains application with qualifications and dues structure. Free.
- **Business Aviation and the Fortune 1,000 Industrials** details how corporate aircraft owners did businesswise versus nonowners. $2.

Positive Planning for Heliport Approval provides basic guidelines to build a business a heliport. Includes information sources as well as state and local considerations and public hearing tips. $6.

Helicopter Association International (HAI)

1110 Vermont Avenue N.W., Suite 430,
Washington, DC 20005 (202) 466-2420

- **1983 Helicopter Annual** is a complete reference work including specs on all models, evaluation, buying tips, consultation sources. $25 and $3 postage.
- **The Helicopter: Its Importance to Commerce and the Public** tells it all in a 137-page nutshell covering all aspects of helicopter activity. $ 10 .

General Aviation Manufacturers Association (GAMA)

1400 K Street, NW, Suite 801, Washington, DC 20005 (202) 393-1500

- **General Information Kit**, free to all considering business aircraft ownership.
- **Employee Business Flying Guidelines**, includes a copy of a sample corporate employee flying policy; free.

Business & Commercial Aviation Magazine

Westchester County Airport, Hangar
C-1, White Plains, New York, 10604
(914) 948-1912

- **Justifying Corporate Aircraft** is complete kit that simplifies task of preparing rationale and determining value of executive time. $10 per kit; supplies limited.
- **Planning and Purchasing Handbook** lets you compare similarly-equipped business aircraft; all the nuts, bolts and details and worth far more than $6 per copy cost. (However, a copy is *free*—being the standard April issue, when you subscribe to *Business & Commercial Aviation* for $24 a year. If you're serious about business aviation, this is where to learn the latest.)

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(6/30/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.87/share	$10,375	$15,894
per cent change		+3.8%	+58.9%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$104.19	$9,994	$12,221
ACCUMULATED INCOME		$ 94	$ 1,378
TOTAL		$10,088	$13,599
per cent change		−.9%	+36%
Money Market Fund	8.07%	$10,067	$10,838
per cent change		+.7%	+8.4%
Gold (Krugerrands)	$416.25/oz.	$9,991	$13,238
per cent change		−.09%	+32%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$76,600	$79,000	$71,200
per cent change		−3%	+7.6%
New House	$90,200	$92,100	$ 89,400
per cent change		−2.1%	+.9%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

(ending in March), Gerhard estimates. For fiscal 1985, he expects sales to rise to $175 million and earning per share to reach 65 cents. Xonics recently traded at 8¼ over-the-counter. —A.H.

Investor Gripes: How to Cope

Last year, the Securities and Exchange Commission received 17,500 inquiries and complaints about mistakes made by brokerage firms and mutual funds. Such problems as inaccurate statements, slow transactions, mixed-up orders and redemptions and busy telephones are particularly frustrating to deal with at the many mutual funds and discount brokers that do not have personal service representatives, forcing customers to dial 800 numbers for help. At such times, most investors wish they had a commission-collecting account executive to pressure.

To be sure, to avoid disputes with customers, almost all mutual funds and discount brokers tape phone conversations, train their service representatives and organize complaint centers. Nevertheless, misunderstandings and overworked employees can mess up the best systems.

Investors, though, need not give up in despair. There are other avenues to pursue if complaining to an 800 number does not produce results. The first is to write or call one of the fund's executives, whose names are listed in the prospectus and annual report. Marketing vice presidents, public relations officials and chief executive officers are particularly responsive, according to Editor James Henderson of Donoghue's *Moneyletter*, a mutual fund newsletter. "You can be sure if the marketing vice president gets a customer call, he'll respond," he says.

A fund's prospectus and annual report also list its policies on orders, redemptions, check-cashing and signature guarantees. And pointing out that the organization has violated its own policies strengthens the investor's complaint, Henderson notes.

If the problem persists, write to the mutual fund trade association, the Investment Company Institute, at 1775 K St. N.W. in Washington D.C. If all else fails, get in touch with the SEC's Office of Consumer Affairs at 450 5th St. N.W. in Washington, or its Division of Investment Management.

Finding out whom to complain to at discount brokers can be more time-consuming. If the company is publicly traded, the names of executives are listed in the annual report. Otherwise, if a tight-lipped firm will not reveal the names, its registration lists them and is available from the SEC.

The investor can also ask for help from the brokers' trade group, the National Association of Securities Dealers. Both the NASD, which all brokers must join, and the New York Stock Exchange, which has an optional membership, have the power to fine, censure or expel members. For advice, contact a NASD regional office or its Washington headquarters at 1735 K. St. N.W., or the NYSE's Regulation and Surveillance department at 11 Wall St. in New York City. However, neither organization can get money back for investors.

The patient, persistent complainer will find that the SEC, while slow, can be very effective. And if a call from the SEC to a fund or broker doesn't produce results, the commission can have the matter brought up before an arbitrator or can investigate the firm itself. In some cases, it can take a company to court. But it cannot get money back for customers either. "We encourage people to first try to settle their disputes with the fund or broker-dealer," says an SEC spokesman. "If there's a big problem, though, we would like to know about it, because sometimes a consumer complaint is the first sign that a bigger problem exists. Besides, it's very effective when the SEC just calls a company. It gets their attention. It's certainly worth a try."

—WENDY DILLER

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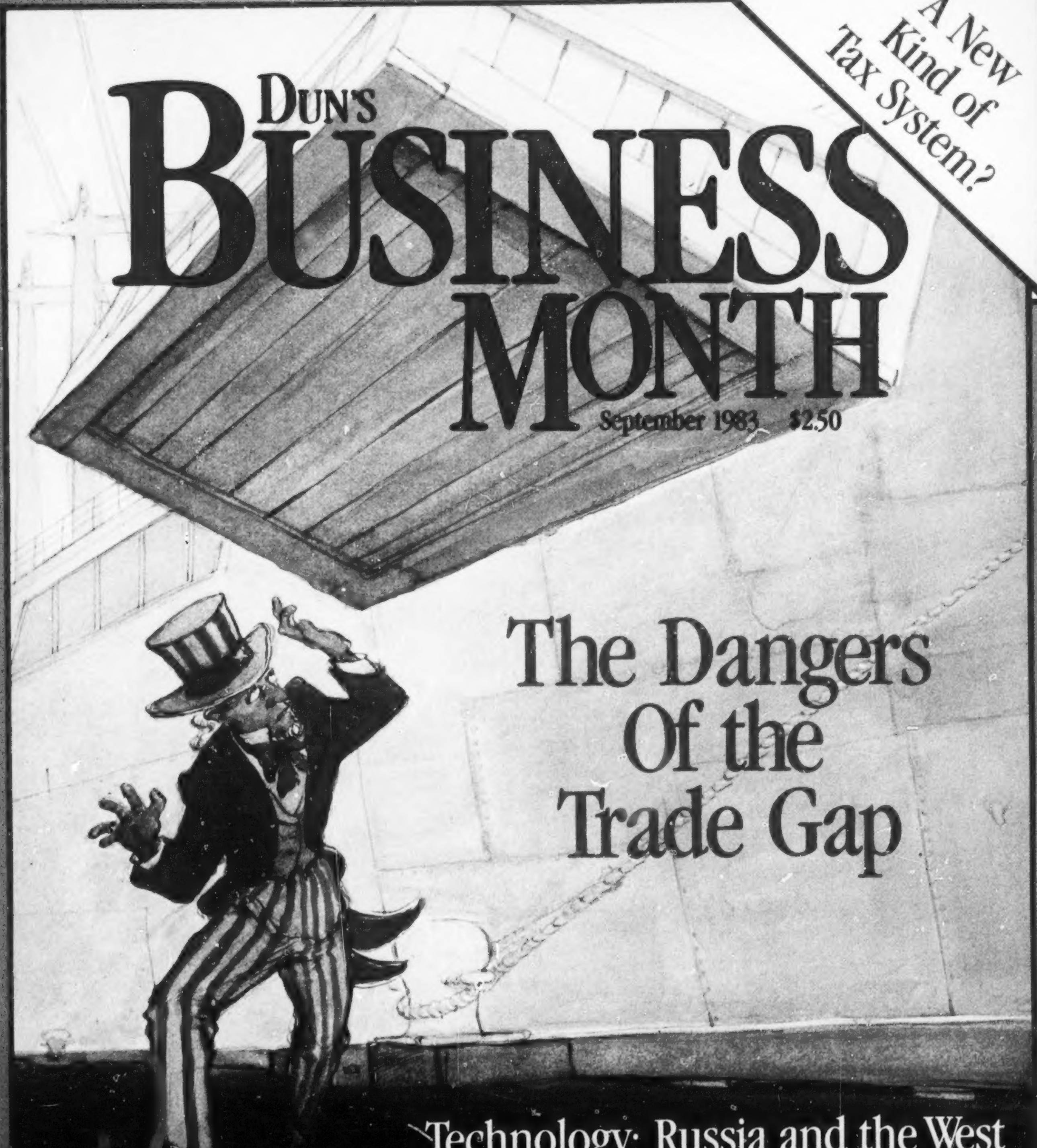
A New Kind of Tax System?



The Dangers Of the Trade Gap

Technology: Russia and the West

Big Investors Turn Against Management

Also Featuring
A Monthly Business Recap

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DUN'S BUSINESS MONTH

September 1983, Vol. 122, No. 3

Feature Departments

ECONOMY

Dangers of the Burgeoning Trade Deficit 36
(Cover Story)
A looming $100 billion trade deficit jeopardizes the recovery and threatens the nation's industrial base.

- **DUN'S 5000: A Good Job Outlook Gets Better**
- **Walter E. Hoadley: Don't Ignore Alaska**

WASHINGTON

A New Kind of Tax System? 48
In search of revenues, Washington is mulling drastic changes in the tax code—including levies on consumption.

TECHNOLOGY

High-Tech: Russia and The West 56
Dependence on Western science spells trouble for the Soviets.

MONEY & MARKETS

New Issues: Heading For a Fall 66
The danger signals are there, analysts warn, and some investors are going to get hurt.

- **Hot market in mortgage securities**

73

MANAGEMENT

Big Investors Turn Against Management 73
Once steadfast management loyalists in proxy fights, many institutions are joining the insurgents.

- **Business' Burning Issue**

RETAILING

Here Come The Superstores 85
To fatten flat profits, supermarket chains are wooing one-stop shoppers.

The Business Month

22

WASHINGTON

A Reagan tax switch? 21
Business vs. the unitary tax

ECONOMY

How long a recovery? 22

INTERNATIONAL

Andropov's push 22
Nigerian elections
EEC farm reforms
Craxi's economic plan

MONEY & MARKETS

Interest rate prospects 23
Rising dollar
Banks' Brunei coup
New disclosure rules
Worrisome futures

COMPANIES

Big S&L merger okayed 29
Rothschild on Wall Street
Hertz off the block
Searle's sweet sale

INDUSTRIES

Sino-U.S. textile pact 30
Government backs synfuel plant
Coast-to-coast railroad?

[illegible]

Better days for farmers 31

MANAGEMENT

Ford cuts health benefits 31
Carbide loses age suit

MARKETING

Showcasing cars in malls 32

COMMUNICATIONS

Networks' big win 32
TV-Cable Week's *troubles*

Letters 6
Outward Bound

BizQuiz 14
Who's News

The Managers 89
A noble gesture surprises Wall Street

Managing Information 93
Data PBX systems

Personal Finance 97
- *What professional investors buy*
- *Tax gimmicks in donating art*

A Good Job Outlook Gets Better

The economy will gain as many as 3 million jobs this year, according to the Dun & Bradstreet survey.

About 3 million jobs will be added to total U.S. employment this year, a 3% gain, according to the latest DUN'S 5000 survey of business hiring plans. Expectations are even higher than last January, when queries to the same firms indicated that 2.5 million additional people would be hired this year.

Significantly, last January's DUN'S 5000 survey was the first signal that employment would spurt in 1983—an event that has surprised many of the experts. The survey sample, which is drawn from the vast Dun & Bradstreet database on more than 5 million business establishments, is already proving to be an unusually accurate barometer of U.S. business activity.

It's encouraging that so many managers were still optimistic in July, when the latest survey was taken, since many firms have clearly already put their January hiring plans into action. About 2 million people have already found jobs this year, according to the Bureau of Labor Statistics.

A full two-thirds of the DUN'S 5000 respondents in July said they expected their employment levels to remain the same for the rest of the year. Among the remaining one-third of the sample that anticipated change, three times as many firms intended to hire more people rather than decrease employment. Last January, by contract, the number of establishments planning more hires was twice as high as those planning to let people go.

Job Growth By Industry

The wholesale industry had the most optimistic hiring outlook in July, but the midyear survey shows that the construction and financial sectors expect more job losses.

INDUSTRY	PLANNED JOB INCREASES
Wholesale	**4.6%**
Transportation and Communications	**2.3**
Durable Manufacturing	**1.7**
Services	**1.6**
Nondurable Manufacturing	**1.2**
Mining	**1.1**
Retail	**1.1**
Financial	**−0.7**
Construction	**−2.7**

Job Growth By Firm Size

The smallest companies expected the largest job growth at midyear, just as they did back in January when the first DUN'S 5000 survey of 1983 hiring plans was taken.

SIZE OF FIRM	PLANNED JOB INCREASES
1-19 workers	**5.4%**
20-100	**0.0**
101-499	**1.5**
500-999	**3.4**
1,000-2,499	**1.0**
2,500-4,999	**1.6**
5,000-9,999	**−2.2**
10,000-24,999	**−1.1**
25,000 and up	**0.2**

The smallest-sized firms, with one-to-nineteen employees, have the biggest hiring plans for the rest of 1983. The most pessimistic companies are those with 5,000-to-24,999 workers. They are still planning cuts in employment.

Among industries, only two—construction and financial—expected further work force decreases. Besides wholesaling, the biggest job gains are planned in transportation and communications and durable goods.

As encouraging as these numbers are, it should be noted that a great deal of the midyear enthusiasm is based on the rapid rise in real Gross National Product. However, the highly publicized GNP numbers overstate the extent of the recovery; the 5.5% increase in real final sales is probably a more accurate measure. Therefore, managers who were too pessimistic in January may be overly optimistic now. Still, the fact remains that the growth of employment is turning out to be far better this year than any of the traditional economic indicators—and the consensus forecast—had predicted.

—JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

Foods (4.5 million shares) and R.J. Reynolds Industries (5.6 million shares). Both companies, Sokoloff notes, have strong brand names and leading positions in their businesses and have become more aggressive about improving their positions.

General Foods, recently trading at 44, has a book value of $36 a share and is expected to earn $6.25 a share in its current fiscal year (ending March 31). Thus, Sokoloff observes, the stock is selling at almost half the average market multiple.

He thinks that Reynolds is an even better buy. It recently sold at 49½ and has a book value of $42. The dividend is expected to be raised to $3.10-to-$3.15 later this year, and the earnings forecast for 1984 ranges from $8.50 to $9 a share, for a price/earnings ratio of six.

Century Partners, a New York investment adviser of individual and institutional money, is a major investor in Intermountain Gas of Idaho, a natural-gas utility that Sokoloff thinks is a very undervalued issue. The stock was recently selling at 16; it earned $2.16 a share in its last fiscal year (ended September 30) and should earn at least $3 this year, he estimates. It pays a dividend of $1.40 a year. "Idaho is a good growth state with a great work ethic, and the stock is selling at under five times earnings," Sokoloff says. —A.H.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(7/29/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.25/share	$9,675	$15,714
per cent change		−3.2%	+57.1%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$98.09	$9,423	$11,131
ACCUMULATED INCOME		$ 94	$ 1,110
TOTAL		$9,517	$12,241
per cent change		−4.8%	+22.4%
Money Market Fund	8.37%	$10,070	$10,870
per cent change		+.7%	+8.7%
Gold (Krugerrands)	$432.75/oz.	$9,914	$12,190
per cent change		−.9%	+21.9%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$81,200	$77,900	$71,100
per cent change		+4.2%	+14.2%
New House	$97,400	$93,000	$98,400
per cent change		+4.7%	−1.0%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

Tax Gimmicks in Donating Art

Many individuals make mistakes when donating art and therefore don't get the maximum tax deduction. "The critical factors are structuring the donation properly and knowing the latest wrinkles," according to tax expert Gary Hart of accountants Arthur Young & Co.

The maximum tax deduction is the full fair market value of the art as established by a reputable art appraiser such as the auction houses, Christie's or Sotheby-Parke-Bernet. To get it, an individual must own the art work at least one year. If the owner donates art he owns less than a year, he only gets a deduction equal to the purchase price.

In addition, art donors must be reasonably certain that the institution will use the art for art's sake. Only if the art is donated to an institution whose primary purpose is to display art can the full fair market value be tax deductible. Then, for example, if the art was bought for $50,000 in 1975 and its current fair market value is $150,000, the Internal Revenue Service permits a $150,000 deduction.

However, if the art goes to a charity other than an art institution, then the deduction is less. If a taxpayer donates a Degas to, say, the American Cancer Society, his deduction amounts to 40% less than the artwork's long-term appreciation. Thus, the deduction on a $50,000 painting, bought in 1975, and now valued at $150,000, is $110,000. That is, 40% of the $100,000 in appreciation is deducted from the current market value of $150,000. "Lots of individuals don't realize that all charitable institutions are not the same in terms of the possible write-offs," Hart notes.

Still another good tax gimmick is donating artwork to a museum for a few months—say, when the taxpayer is on vacation. But this must be a permanent donation for the same period of time each year and the taxpayer must will the artwork to the museum. For example, a donor, who gives a $600,000 painting to a museum for one month a year, gets a $50,000 deduction. Another plus is that the taxpayer also saves the cost of insurance for the one-month period.

The IRS limits the deduction that can be taken for artworks to 30% of a person's adjusted gross income in any one year. Therefore, some people make partial donations in one year and then increase the amount in subsequent years. But the value of the art is

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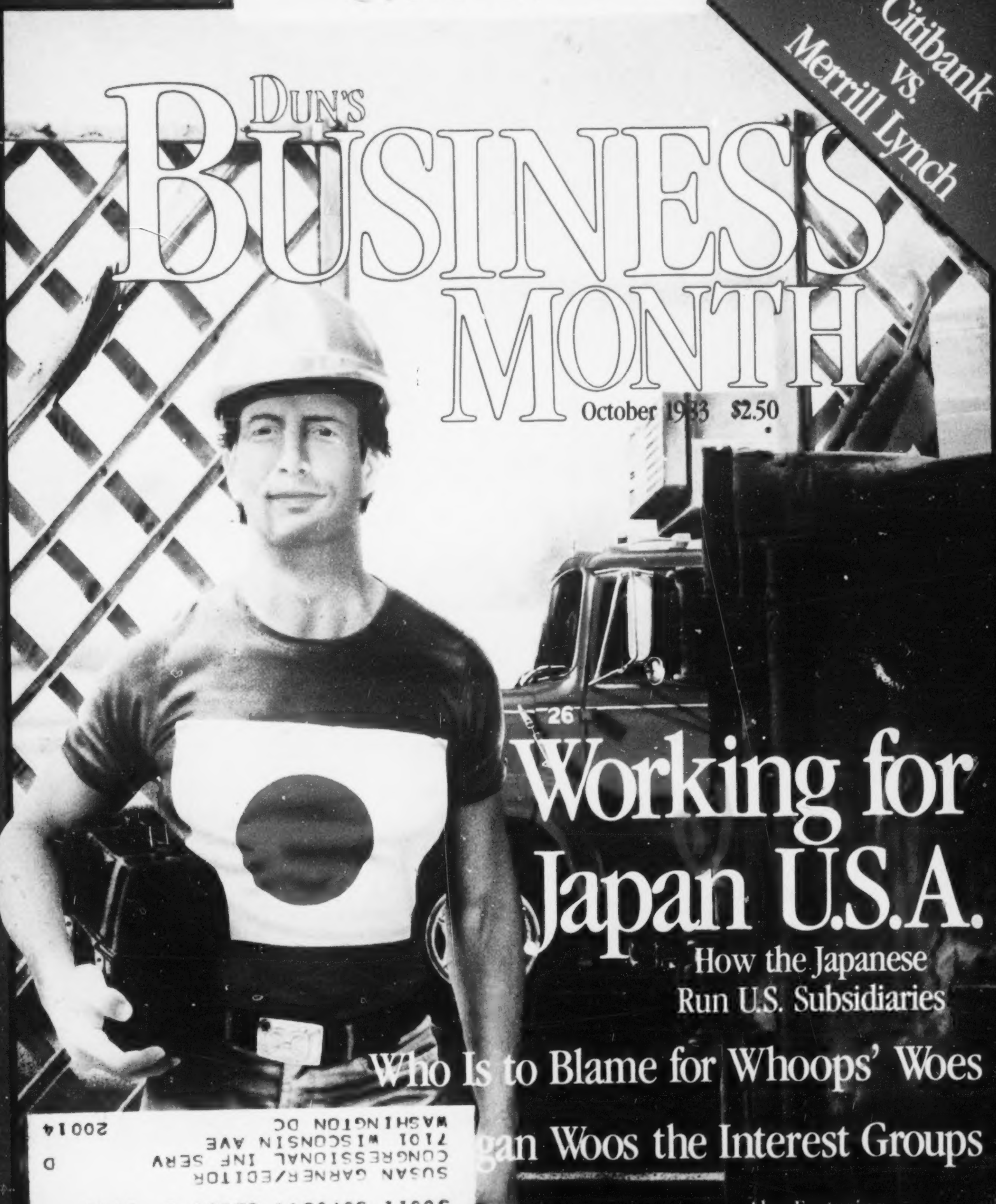
Citibank vs. Merrill Lynch



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How the Japanese Run U.S. Subsidiaries

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DUN'S
BUSINESS
MONTH

October 1983, Vol. 123, No. 4

Feature Departments

ECONOMY

How the Japanese Run U.S. Subsidiaries 32
(Cover Story)
Their relations with American employees range from formal to folksy.

- **DUN'S 5000: Boom in Part-Timers**
- **Arnold R. Weber: Bigger union wage gains coming**

MONEY & MARKETS

Whoops: How It Happened 48
A probing postmortem puts the blame on a bad idea compounded by multiple blunders.

COMPANIES

Citibank Takes on Merrill Lynch in Battle of the Giants 60
In the fight for high-income consumers, Citibank opens fire with its Focus account. Can the bank beat the broker?

- **Daniel Ludwig's S&Ls**

WASHINGTON

Reagan Woos The Interest Groups 70
Through shrewd public relations and shifting policies, the White House is courting the big voting blocs.

INTERNATIONAL

British Brokers Gear Up for Change 80
The staid London Stock Exchange is finally chucking fixed commissions and many other outmoded practices.

- **Making It Tougher To Borrow Abroad**

CITIES & STATES

An Object Lesson From the Quaker State 88
Burying the hatchet, business and labor have solved a pesky Pennsylvania problem with no help from the politicians.

The Business Month

WASHINGTON

Grab bag tax bill 13
Federal funds go begging

ECONOMY

Lower rates loom? 14

COMPANIES

Osborne's demise 14
Copyrighted software
TV-Cable Week *folds*
Hyatt relaunches Braniff

CITIES & STATES

Chicago bonds downgraded 15

LABOR

Unions flex their muscles 16

MONEY & MARKETS

FCA's record sale 16
New bank regulation plan

INTERNATIONAL

Denmark's conservative tide 20
Poland's worrisome taxes
Soviets' new car
Tokyo's gold market
EEC's breeder reactor
Global financial services
Third World multinationals

ADVERTISING

Ad scandals 27

INDUSTRIES

Aerospace surge 27
American Airlines' antitrust victory
Home computer concerns

MANAGEMENT

Furor over health costs 28

MANAGEMENT

Fringe Cuts For Post-65ers? 95
Business' big problem with older employees is what to do about benefits—especially pension credits.

MARKETING

The Great American Beauty Hunt 100
With much hype and mutual hatred, the big model agencies are catfighting for new faces.

Letters 8
Selling Hispanics

The Managers 135
A hard-nosed executive is a pussycat at home

BizQuiz 139
Recycled CEOs

Managing Information 141
IBM's new tape storage systems

Personal Finance 145
Technology issues set to recover

The Boom in Part-Timers

Almost one-third of the firms in the Dun & Bradstreet survey use part-time workers. It's cost-effective.

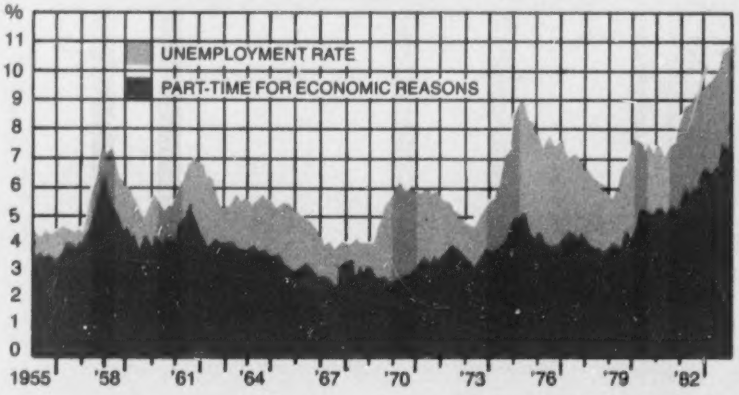
PART-TIME EMPLOYMENT BY BUSINESS SIZE

Almost one-third of the companies in the Dun's 5000 survey use part-time employees. Among these firms, the smallest ones (1-to-19 employees) are the heaviest users; 30% of them have work forces made up of 40% or more part-timers. On the other hand, nearly half of the biggest companies get by with less than 5% part-time help.

	Number of Employees							
Percentage of Part-Timers	1-19	20-100	101-499	500-999	1,000-2,499	2,500-4,999	5,000+	Overall
1 to 5	9%	23%	29%	32%	27%	38%	46%	27%
5 to 10	9	25	17	10	14	10	16	15
10 to 25	28	24	29	29	31	28	18	27
25 to 40	22	8	12	18	17	13	11	14
More than 40	30	20	13	12	11	11	9	17

PART-TIMERS AND THE BUSINESS CYCLE

There is a clear relationship between recessions, total unemployment and the number of people who work only part-time.



Source: Bureau of Labor Statistics

The growing importance of part-time employment is brought home by the latest Dun's 5000 survey. Some firms, especially those that have fewer than twenty workers, reported that as much as 20%-to-40% of their work force was working on a part-time basis. Overall, part-timers comprise about 14.7% of the labor force at the firms surveyed.

Most of this part-time employment is involuntary, according to the Department of Labor. Approximately 53% of the workers were on part-time status because of slack work loads in the firms that hired them; another 42% were simply unable to find full-time jobs.

As the recovery continues to gain speed, companies will start putting employees back on full-time status. This will in turn make the impact of the recovery even greater, since part-timers working more hours are experienced and therefore will contribute a great deal to overall output and productivity.

The part-time phenomenon is a significant factor in the U.S. economy for a number of reasons. It provides flexibility for both employers and employees and it enables many secondary wage earners to join the work force while they also care for a family or pursue higher education. Moreover, studies have shown that part-time workers are at least as productive as full-timers—and are much more cost-effective since they don't usually receive fringe benefits.

Perhaps the most interesting aspect of the increasing incidence of part-time employment is the fact that it doesn't show up in the standard economic measures. As the number of part-timers grow, this overlooked factor will tend to cover up the swings in the business cycle.

—Joseph W. Duncan

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(8/31/83) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.62/share	$10,183	$14,233
per cent change		+1.8%	+42.3%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$97.69	$9,959	$10,229
ACCUMULATED INCOME		$ 99	$ 1,025
TOTAL		$10,058	$11,254
per cent change		+.6%	+12.5%
Money Market Fund	8.68%	$10,071	$10,903
per cent change		+.07%	+9.0%
Gold (Krugerrands)	$434.75/oz.	$10,046	$10,181
per cent change		+.4%	+1.8%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$82,900	$61,200	$69,200
per cent change		+2.1%	+19.8%
New House	$94,000	$97,400	$91,400
per cent change		−3.5%	+2.8%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

creasing emphasis on high quality and productivity in factories. And Tymshare stock is the beneficiary of two strong developments: its leading position in computer networking, a highly sought-after market that even AT&T wants a piece of; and a possible acquisition that analysts believe will require at least a $45 per share offer to consummate. The stock recently was trading at $23 a share.

Informatics will earn $2.25 a share this year and $3 in 1984, says Murphy, and is recommended as a buy under $25. NCA should earn 60 cents a share this year, $1.20 in 1984 and is advised as a buy under $14. And Tymshare's earnings for 1983 are estimated at 80 cents a share and $2 for 1984. With the potential for a big capital gain on an acquisition, the advisers are suggesting buying it under $22 a share.

Murphy and McCamant's stress on long-term investment strategy is most clearly manifested in their medical technology picks—Genentech and Cetus Corp. Neither has any earnings to speak of yet, but both have the broadest exposure to the potentially enormous growth of genetic engineering. "They are the most broadly based pure plays in gene splicing and they have lots of cash to carry them through the development stage," says McCamant. "These are 1990 stocks and they should be tucked away for the future."

The advisers recommend buying Cetus for under $14, but for the time being they have a "hold" on Genentech, which was recently trading in the low 40s. They also like the potential in Diagnostic Data, producer of a new arthritis drug currently selling only in Europe. Now operating under a new management, the company appears to be close to securing approval to license the drug for marketing in the United States, says McCamant. He suggests buying the stock under $6.

—THOMAS J. MURRAY

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FLEET MANAGEMENT: UPDATE '84

A Stable Gas Situation Hasn't Deterred Fleet Administrators From Continuing Downsizing Programs for Peak Efficiency

The average consumer has a very short memory, if the current showroom stampede to larger cars is any indication. In fact, the pickings of full-size sedans were slim or non-existent in some areas, as mid-August new car sales soared better than 22% ahead of the previous year, held back from yet larger gains only by low dealer inventories.

Year-to-date through mid-August, all domestic manufacturers posted impressive gains: 26.5% for Chrysler; 15.3%, GM; 12.3%, Ford; and a whopping 112.5% for AMC, primarily on the strength of its "Car of the Year," the Renault *Alliance*.

Historically, fleet sales tend to follow retail trends (though not in size, as we shall see) and should reach their normal 14%-to-17% of production for the 1984 model year.

But while the consumer response indicates "happy days are here again," the astute fleet manager isn't all that sure they're here to stay. Fact is, the fleet rallying cry for '84 could well be *"Remember '74."* That, of course, is when the first gas crunch occurred, catching everyone by surprise and leading to a dramatic change in fleet composition throughout all industry segments. The present gas glut hasn't lured the fleet administrators away from smaller, fuel-efficient vehicles, although many report varying degrees of pressure to change from field salesforces and middle managers.

Says Hal Barton, Chrysler's general manager of fleet operations, "It wouldn't make sense at all to move back to large cars, especially when you

Chrysler's Barton: It simply wouldn't make sense to move back to large cars

consider that in many fleets the difficult transition to four-cylinder cars is virtually complete, the driver education period is over and, most important, management has had a taste of the cost efficiencies of smaller cars."

With regard to the types of vehicles fleet administrators *will* recommend for 1984, a survey recently released by the National Association of Fleet Administrators (NAFA) reveals that in 202 fleets, representing nearly 116,000 cars, orders for compacts and sub-compacts will account for 58% of new car orders, down from 70% for 1983.

"There's a move to mid-size cars," explains Bob Berke, NAFA's executive director, "but remember, a mid-size, by today's standards is still not a large vehicle by any means and is up to the 30 mpg range. In fact, what we call a mid-size today was categorized as a compact two years ago.

"And as far as full-sized cars are concerned, our survey indicates that they're continuing to fade away from fleets—not being replaced—and account for less than 7% of planned acquisitions for 1984."

Sub-compacts have little presence in the NAFA survey—a mere 1.3%—because, as Berke points out, "They're generally not perceived as fleet cars, except for certain applications, such as utilities, and the concentration will continue to be in the compact and mid-size range. As opposed to the general public, the fleet administrator is a *rational* buyer, not an emotional one, and that's precisely why downsizing will continue despite the present gas situation."

The consumer demand for large cars has contributed to a strong used car market, which would indicate that there's probably no better time for a fleet manager to step up his downsizing program, while disposing of large cars (if any) at the best possible price. In the words of an industry sage, "Big cars have turned to gold on the used market." And it's up to the fleet manager to "mine" a share for his company, provided, of course, top management has given him the capability to move fast when such an opportunity arises.

In summary, small cars still hold center stage with fleets; the gas glut is being shrugged off as only temporary by most fleet administrators; and manufacturers are understandably bullish about 1984 fleet prospects.

In this, our third annual Fleet Management Focus Report, again prepared with the cooperation of NAFA, we're letting all sides speak out and are presenting collective viewpoints of trade associations, fleet administrators, leasing companies and manufacturers in order to provide a management primer which, at the very least, clearly points to the *absolute* necessity for a professional fleet administrator who can get the most out of a valuable asset—the company fleet—at the least possible cost.

As Nelson Karney, Pontiac's director of fleet sales remarks, "Senior management was rarely concerned with the fleet management function when a car cost $5,000 and gas was 25¢ a gallon. Now with $10,000 cars and gas at $1.25 a gallon, you have a heavy capital investment that must be protected and top management has to be closely involved."

Obviously, providing the wherewithal to do the proper job is key—whether that be a capital budget or simply confidence in a fleet administrator's expertise—so we turned, logically, to a top administrator and some pointed observations for management on page 110.

1984 New Car Acquisition Survey Summary

					Current Composition[2]						Planned '84 Acquisitions by Category			
Group	Number of Fleets	Number of Cars	Owned	Leased	Sub-Compact	Compact	Mid-Size	Large	1983 Acquisitions	1984 Planned Acquisitions	Sub-Compact	Compact	Mid-Size	Large
Insurance	40	28,406	20,446	7,960	648	19,713	6,506	1,539	9,469	10,325	125	7,082	2,638	480
Chemical & Petroleum	18	14,059	7,108	6,951	—	3,890	7,813	2,365	3,170	3,638	—	2,020	1,103	515
Drug & Cosmetics	16	14,958	2,051	12,907	10	9,851	4,431	666	6,576	6,290	—	4,312	1,817	161
Food & Beverage	21	11,842	7,349	4,493	115	4,504	6,739	394	4,003	4,579	—	2,383	2,126	70
Manufacturing—Industrial	31	16,898	2,050	14,848	321	5,151	8,321	3,106	6,121	6,841	10	2,193	3,740	898
Manufacturing—Consumer	23	15,259	8,450	6,809	46	9,336	4,041	1,836	4,364	5,600	—	3,542	1,576	482
Miscellaneous	25	8,575	2,196	6,379	865	3,917	3,371	422	3,057	3,028	305	1,364	1,266	93
U.S. Totals	174	109,997	49,650	60,347	2,005	56,452	41,222	10,318	36,780	40,301	440	22,986	14,266	2,699
Canada	28	5,697	2,130	3,567	120	2,234	2,878	465	1,657	2,184	136	866	1,106	76

(1.) Survey covers 174 U.S. and 28 Canadian sales and service fleet managers.
(2.) NAFA car categories are: *Sub-Compact*, under 99 in. wheelbase and 2,199 lb; *Compact*, 100–104 in., 2,200–2,599 lb; *Mid-Size*, 105–108 in., 2,600–3,199 lb; *Large*, over 108 in. and 3,200 lb.

Source: NAFA

Memo to Top Management

If you trust your fleet administrator as a valued member of the management team—and you must, or he wouldn't be there—don't be afraid to turn him loose. That's the general consensus among fleet administrators nationwide, and auto manufacturers all agree.

In the words of John A. Rowley, Lincoln-Mercury's major leasing and fleet accounts manager, "There has to be more flexibility today, especially in the area of replacement cycling, and we see a trend away from setting hard and fast rules. You have to let the fleet manager *really* manage, so he can follow the dictates of the market and move at its speed—dump cars early in a good used market, hold onto them longer in a weak market. The fleet manager also has to be able to move quickly to take advantage of fleet incentive programs. Of course, in order to get such decision-making mobility from top management, the fleet administrator must be perceived as an authority in his field."

One such authority interviewed for this Focus Report was Patrick J. Sheehan, for 16 years corporate fleet manager of Baxter-Travenol Laboratories and, not incidentally, president of NAFA, who noted right off the bat that his 2,000-plus member organization "barely scratches the surface with regard to people who actually perform at some level of the fleet management function, irrespective of the titles they may hold."

Asked to speak on general terms to a management audience, Sheehan observes, "We tend to think sound principles of fleet administration are well promulgated and observed, but when we get in the field, we find that's not true at all. Many substantial fleets—and the horror stories are legend—are still administered by a series of knee-jerk reactions, the worst of which we saw in '74, with no sound basis for decisions or knowledge about what might be coming down the pike."

As Sheehan explains, "A not untypical situation is a good-sized fleet being run by a secretary or administrative assistant to some director level person, whose major area of responsibility is something else entirely—controller, for instance. You know, someone says 'And while you're at it take the fleet under your wing,' and that's about the level of concern and importance the function receives in that company.

Sheehan strongly advises managers, who have a part-time fleet administrator devoting a relatively small percentage of his or her time to the fleet, to get an operational review by an outside consultant. "Not a general consultant," cautions Sheehan, "but a professional fleet person. Actually, any pro can go into the average part-time operation and look shamelessly good just by making a few simple adjustments and suggestions. The multiplier factor is always there, so with a 1,000-car fleet, just $1.00 per month saved per vehicle adds up to a significant number."

He also suggests—as many firms are now doing—that the efforts of part-time fleet personnel be buttressed by the purchase of outside services from a leasing/management firm; for example, computerized maintenance records.

NAFA President Sheehan: Fleet administrators need more decision-making leeway from top management

Such services are available à la carte, whether one leases from the company or owns his own vehicles.

Sheehan's contention that there is a large "gray area" of fleet personnel who are not card-carrying pros (at least, they don't carry NAFA cards) is supported by Runzheimer and Co.'s 1983/84 "Survey & Analysis of Business Car Policies and Costs," which reveals that of the survey sample of fleets that were company owned as well as leased, only 29% reported having a full-time fleet manager; 60% had fleet managers with "other" responsibilities; and 11% had *no* fleet administrators.

"The manufacturers are forever having their salespeople stumble across companies out there with 500 or 600 cars, and the secretary to the sales manager does it all," Sheehan says, "buying from local dealers, and when it's time to turn over the car—however they decide that—they ask the salesmen to get three bids on the old cars and three quotes on approved new models. That sort of thing is archaic and totally out of step with reality, but we find it happening all the time."

On handing reins of a sufficient length to their *professional* fleet managers, Sheehan echoes Rowley's plea for flexibility and policies that reflect current conditions: "A company policy that always astonishes me is one that stipulates buying next year's cars out of next year's budget; no 'ifs' or 'buts'. But new cars debut in September or October and that's when the depreciation clock starts running on that model year. A car you bought in June will have cost more than one bought the previous September due to price increases during the year. Then come the following October, your car is worth the same as mine except you've lost four months of use.

"When there's a rigid policy that says you can't replace vehicles until January, February or March, 'when there's a budget,' that fleet manager is going to lose price protection first of all, since he can't order in August, and will get hit with at least the first price increase, sometimes two. Then he's going to have to recondition the 2-to-3-year-old cars to get them through winter and will be dumping them on the used market at the worst possible time, when they'll sit like lumps, and prices can be down as much as $600 a car. Restrictive budgeting is one of the biggest management money wasters I can think of in the fleet business. *The key is budgeting from fall to fall, when you can buy at the best price and sell at the best price.*" (Which is what effective fleet management is really all about.)

Other management pitfalls pointed out by Sheehan are "closed mind" policies with regard to leasing, dealing with a sole supplier and being passive in the marketplace. Says Sheehan, "Sometimes that's nothing more than a matter of pride—'we've always bought our cars'—but if the numbers aren't in favor of owning, that's simply poor management. You have to be open minded.

"As to continually buying from one manufacturer as a matter of policy from the top, you'll ultimately cut off others and at the same time be missing valuable information and, no doubt, deals that could save your company a substantial amount of money. The company has to be open to the market as well. On the other hand, companies—especially those with smaller fleets—have to be more aggressive in seeking out the manufacturers to extract all the information they can. But some companies still find out about October early order deadlines in November and it's no-one's fault but their own."

Sheehan's final words of wisdom to management? You guessed it: "Insist that your fleet manager—whether part-time or full-time—join a professional educational organization and participate in it. Legal and financial people do it and so should fleet administrators."

The National Association of Fleet Administrators is the *only* such organization and for information on membership or the Certified Fleet Administrator (CFA) program, run in cooperation with the Wharton School, contact NAFA's Executive Director, Robert J. Berke, at 295 Madison Avenue, New York, NY 10017, (212) 689-3200.

Just tell him Pat Sheehan sent you.

Picking the Winners: Tougher than Ever for 1984

The field of contenders for 1984 fleet dollars has never been so large or as formidable in terms of value, fuel economy and operating efficiency. But smart fleet administrators know that certain "winners" for some fleet applications can be "also rans" for others.

As Austin McBride, Hertz Car Leasing's marketing manager puts it, "Today's wide range of vehicle and option possibilities places even greater responsibility on fleet managers to properly match the vehicle to a particular application. And they have to make sure that the vehicles and options selected provide the best possible operational efficiency at optimum cost."

That's easier said than done, when one considers that in 1984 there are more than 100 domestic car models alone being offered to fleets.

The major leasing management companies such as Hertz, McCullagh Wheels, Avis, Leaseway, PHH, *et. al.* have attempted to bring some order to the confusion and make things a bit simpler for the specifier by grouping models according to class or function.

For example, McCullagh Leasing lists its recommendations by type of user, *viz.* "Standard" (for sales and service), "Middle Management" and "Executive", while Hertz follows application categories: "Service Vehicles" (compacts), "Conservative Sales" (intermediate) and "Professional" (high-end intermediate). Of course, categories overlap and definitions are subject to interpretation, but semantics notwithstanding, the leasing company guides provide excellent detailed overviews and are good starting points in the selection process. (To obtain free copies of various 1984 guides, see *Information, Please*, page 131.)

With guides in hand and manufacturers' sales pitches ringing in his or her ears, our fleet administrator is now ready to put career on the line and make a recommendation to management. What it amounts to is a skillful compromise; that is, several key factors must be considered; and nobody is going to select just on price. Much of the selection process involves common sense and applying various "weights" to the different factors.

As Hertz Leasing's categories already imply, you don't want to squeeze a professional pharmaceutical salesman into a compact. On the other hand, a utility doesn't want to put a line inspector into a plush intermediate. However, if you write a job description for the vehicle required, it might well point to a narrowly defined group. For example, a four-wheel drive wagon could logically turn out to be the vehicle for a salesman who has to lug samples and point-of-purchase displays around a snow belt territory. So the first rule is to tailor the vehicle to the task . . . and the territory to be covered.

Some of the other things a fleet administrator will be weighing during the selection process include cost, trunk size, driver satisfaction, corporate image, perception as a "perc", anticipated holding cost (that is, the difference between acquisition cost and resale value), fuel consumption, operating cost, accessories included at no cost to the driver (tilt-wheel, cruise control—both important at disposal time) and the safety factor.

In the end, unless the company policy is dictatorial in nature, the fleet administrator develops a selector list from which the driver may make his or her choice from a list of closely comparable vehicles that still leaves room for personal taste.

According to John A. Rowley, major leasing and fleet accounts manager for Ford's Lincoln-Mercury Division, there is a definite trend toward smaller selector lists. Says Rowley, "If a fleet administrator comes up with a big selector list all you're going to be is average or above in terms of costs, but if he applies the wisdom he's gained over the years and is a sharp forecaster and limits the choice of vehicles, the company can be assured of coming in below average on costs. You're going to have an economical fleet simply because you put the most economical cars on the selection list.

Ford's Rowley: There's a definite trend to mid-size from compacts

"So rather than publishing an extensive list and in effect letting the driver act as "purchasing agent", the fleet administrator retains that function as he should. That doesn't necessarily mean the absolute lowest cost, but a balance between fringe benefit, driver satisfaction, a car that will do the job and 'reasonable' cost. I think there's also a trend toward mid-sized from compact that clearly shows that cost is just one consideration, though granted it's an important one."

As always, the domestic manufacturers will continue their domination of the fleet market, which can normally account for 14-to-17% of total production. However, a pair of foreign brands—Renault and Volkswagen—have taken more aggressive stances in the marketplace, bolstered by the fact that both now carry "Made in America" labels.

For the record, the following listing capsules the fleet aspirations and 1984 offerings of the major manufacturers which, of course, already have been carefully studied and appraised by your company's fleet administrator and the various leasing companies. In addition, the chart on page 116, provided by Runzheimer and Co.'s transportation division, gives projected operating costs for selected 1984 models.

General Motors

GM, which has had its share of problems and adverse publicity with its front-wheel drive "X-Car," is counting on a free 48-month, 50,000 mile mechanical protection program to take the hex off the much-maligned machine and regain favor among fleet managers. With the X-Car program back on track, GM may well be facing a banner year in fleet sales, with all divisions actively involved.

Frank E. Brazill, director of GM's fleet and government sales section, remarks, "The story really hasn't been told about the accomplishments in this industry over the past six or seven years. Back then you'd be averaging 12-to-14 miles per gallon; now if you're not getting 25-to-30, there's something wrong. Take a Chevrolet Celebrity ("A-Body") with all its room and driver comfort still serving up to 30 miles per gallon—10 years ago who would have dreamt it? In a word, it's revolutionary."

As to GM's hopes for the '84 line, Brazill sees success on all fronts for its car and light truck line-up, but somewhat less forcefully notes that "heavy trucks have nowhere to go but up. There's plenty of deferred demand in cars and trucks, but this has finally started to shift and we have plenty of good product to meet it."

- *Chevrolet* is historically GM's fleet car favorite, enjoying great success in recent years with its "Malibu". Alas, the Malibu is no more, but, according to Richard E. Anderson, manager of field operations for Chevrolet's fleet sales department, "We expect the front-wheel drive Celebrity to take the Malibu's spot, since it already accounts for about 30% of our fleet sales. It's growing in popularity and we're adding a diesel for '84 as well as a wagon."

(At this point, we'll explain GM's "alphabet soup" body codes: In the Chevrolet line, the sub-compact Chevette, still strong with service companies and utilities, is "T", the Cavalier is "J", Citation, "X" and Celebrity, "A.")

Speaking of pent-up demand, Anderson likens it to a "boiler that's built up too much pressure and is ready to go. We're very confident based on our sales calls and early responses from fleet buyers. We've turned Cavalier around completely with a new engine and drive train, still see Citation as having a strong place in the market, have the Caprice and Impala to satisfy big car buyers, but expect Celebrity to be our leader."

Chevrolet, with the widest range of models offered by any manufacturer, moves approximately 17% of its production into the fleet market.

- *Buick* continues to pin its fleet appeal to consumer appeal, believing that there is a strong correlation. For '84, Buick offers its front-wheel drive intermediate Century and Skylark models. In the sub-compact area, Buick has the Skyhawk and for full-sized applications suggests the popular rear wheel drive LeSabre.

Totally new for 1984 is the front-wheel drive Electra, which has again been downsized, the second time since 1977. With V6 engine standard, the Electra will be offered in two and four-door models.

GM's Brazill: Deferred demand has finally started to shift

- *Pontiac* counts on four models to maintain its success in the fleet market: The compact Sunbird 2000, mid-sized Bonneville and 6000 and full-sized Parisienne. According to Nelson M. Karney, director of fleet sales, "Our early orders this year show a definite move from X body to our Pontiac 6000 (A body); in fact A body orders are now running *nine times* those of last year. (The Pontiac 6000 is the counterpart of the Chevrolet Celebrity, Olds Cutlass Ciera and Buick Century.)

Continues Karney, "We see Pontiac moving more and more into the Chevrolet, Ford and Plymouth category in fleets as opposed to the Buick, Olds, Mercury category, primarily due to our lower price. We think our product line for '84 is the best in 10 years and expect our leader to be the 6000, followed by Bonneville, Grand Prix and Sunbird.

"And, of course, we're offering the 48-month, 50,000-mile mechanical protection program with our Phoenix (X-car) at no charge to show that we're ready and willing to stand behind that car, and we're also guaranteeing its residual value."

Pontiac, like any manufacturer going after fleet business, is sweetening its deals with no-cost options, including cruise control and tilt wheel or cruise

Fleet favorite: 1984 Oldsmobile Cutlass Ciera

control and AM/FM stereo.

- *Oldsmobile* has been paying more attention to fleet needs in recent years and has a model for virtually every fleet application. For upscale applications, Olds feels that its full-size 98 models will fill the bill, while its Firenza hatchbacks will prove popular in low-end applications and the new mid-sized Cutlass Ciera will lead the pack, passing the popular Cutlass Supreme. Hi-tech advances for 1984 include an *auto-calculator* on the Ciera, which will be able to compute trip and fuel consumption data, and a computerized manual transmission *upshift indicator* to maximize fuel efficiency.
- *Cadillac* is not generally perceived as a fleet car, although in recent years its Cimarron model has proven popular as an alternative vehicle for certain upscale applications. Cadillac sees its fleet involvement growing in 1984, owing to greater acceptability, primarily the result of downsizing. For example, the front-wheel drive DeVille and Fleetwood models are 26" shorter and 600 pounds lighter than their predecessors.

Chrysler

"On a roll," is how Hal Barton, general manager of fleet operations describes Chrysler. Says Barton, "A key factor in fleet selection is the price of the car coming out—what it will bring on the used market. Our K-Cars (front-wheel drive Plymouth Reliant and Dodge Aries) are coming out exceptionally well, and we're riding the crest of a very strong sales surge overall.

"As of April '83, we were nearly four percentage points ahead of last year; 14.6% of production versus 11% in '82 and 9.5% in 1981, so clearly we've come back in the fleet market. An excellent indicator, incidentally, is the daily rental companies who look at fast, 7-to-8-month turns and have to look at the new cars they buy as used cars. In that case 12-month-or-under K-cars are coming out in auctions at 90% of their original prices—just outstanding."

Chrysler has high hopes for its new Plymouth Voyager

A couple of years back, when Chrysler was looking for its second wind, it was no small act of courage for a fleet manager to select a Chrysler product. There were exceptions to the "wait and see" approach, most notably Xerox, which has acquired approximately 10,000 K-car wagons over the past two years and has again jumped in feet first with a 2,000-car order for the new T-115, otherwise known as the Plymouth Voyager or Dodge Caravan.

Says Barton, "The T-115 is perceived as something of a 'magic' car and we're one-to-two years ahead of the industry with it." A combination van/wagon, with front wheel drive and 112" wheelbase, the 7-passenger T-115 is testing out at 25 mpg/city and 39 mpg/highway.

The K-Car will continue to be the leader for fleet applications, followed by the Chrysler E, Dodge 600 and LeBaron. The Chrysler Cordoba, Dodge Mirada and Dodge 400 have been discontinued. "Cost per mile is still the big factor with fleets," says Barton, "and I haven't spoken to a single account that intends to go back to large cars, regardless of gas prices."

Ford

The company is especially enthusiastic about its all-new Tempo, a compact with front wheel drive, aerodynamic design and high efficiency 4 cylinder engine. The sub-compact Escort "World Car" should continue strong with fleets, while the LTD and Thunderbird hold the intermediate slots. At the Lincoln-Mercury Division, the Topaz, counterpart of the Tempo, has taken center stage, with Lynx filling sub-compact needs and the Marquis and Cougar maintaining intermediate status.

According to John A. Rowley, major leasing and fleet accounts manager for Lincoln-Mercury, "We've positioned the Tempo/Topaz as compact entries against the K-Car and GM's X-Bodies. These were extremely strong starters, and we've sold all we could get our hands on. For the mid-size range, we expect the LTD and Marquise to be extremely strong in fleets."

Selected 1984 Projected Ownership and Operating Costs

			Front Seat							Annual Cost For 20,000 Miles[3]		
Make[1]	Model	Doors	Head Room	Leg Room	Luggage Capacity	Weight	Overall Length	Drive Unit	Displace	Variable	Fixed	Total
Buick	Electra	4	38.5	42.2	20.8	3686	221.3	Rear	4.1	$1850	$4192	$6042
Ford	T-Bird	2	37.7	42.0	14.6	3076	197.6	Rear	2.3	1560	3573	5133
Chevrolet	Impala	4	39.2	42.2	20.9	3502	212.1	Rear	3.8	1690	3224	4914
Chevrolet	Celebrity	4	38.6	42.1	16.2	2692	188.3	Front	2.5	1470	3084	4554
Chev Diesel	Celebrity	4	38.6	42.1	16.2	2988	188.3	Front	4.3Diesel	1140	3317	4457
Dodge	Aries	4	38.6	42.2	15.0	2332	176.1	Front	2.2	1340	2701	4041
Toyota	Corolla AE	4	37.8	42.1	11.0	2310	166.3	Front	1.6	1230	2587	3817
Ford	Escort	4	38.1	41.5	16.8	2080	163.9	Front	1.6	1240	2545	3785
VW Diesel	Rabbit[2]	4	37.2	39.7	14.0	1918	155.3	Front	1.6Diesel	950	2704	3654
Datsun	Sentra[2]	4	38.3	43.1	11.3	1850	167.3	Front	1.6	1050	2592	3642

Footnotes:

1) All cars similarly equipped (except where noted below) including AT, PS, PDB, AC, tinted glass, AM radio, wheel covers, side moldings and remote mirror
2) No power steering
3) Costs include variable expenses (gas @ $1.39 per gallon, diesel @ $1.25 per gallon, oil, maintenance and tires), fixed expenses (insurance, depreciation, financing, taxes and license) and are based on a 3 year/60,000 mile retention cycle

Source: Runzheimer and Co.

Company car with class: 1984 Ford Thunderbird

The Tempo replaces the Ford Fairmont, which has been dropped for 1984. The Tempo/Topaz feature a unique computer that monitors all engine functions for maximum efficiency and even self-adjusts for aging. For the moment, they still leave the steering function to the driver.

American Motors

AMC has been enjoying great success during the past year with its "Car of the Year," the front wheel drive, up-to-52 mpg Alliance. It is a sub-compact designed in France by Renault, but produced and marketed in the U.S. by AMC. The consumer acceptance has rubbed off on the fleet market, and all major leasing companies now carry the Alliance on their "approved" lists.

AMC's Burke: We expect a record launch into fleets for 1984

"With the new 3-door version of the Alliance, the Encore, we expect a record launch into fleets for 1984," predicts J. Michael Burke, AMC's manager of fleet marketing. "We were handicapped last year by limited production and dealer orders were so strong that we had trouble breaking out a supply for fleets. The "Car of the Year" award by *Motor Trend* magazine really got things moving. And I have to believe that the salesman looking at a fleet selector list has to be influenced by many of the same factors that affect the retail buying public."

Ten months into the model year, AMC had sold 140,000 Alliances, versus a projected 100,000, and production at the Kenosha, Wisconsin, plant has now been stepped up to 5,500 per week, which would indicate that fleet buyers should have no problem getting their share of Alliances or Encores in 1984.

AMC has discontinued the Concord ("no pizazz," says Burke) and Spirit for 1984, but has introduced a new line of Jeep sportswagons for limited fleet applications and retains the 4-wheel drive Eagle.

Nissan

Its long pursuit of the U.S. fleet market had to be modified, as a result of import restrictions on Japanese sedans. That is to say, in 1984 Nissan will be emphasizing fleet sales of its small pickup trucks, now manufactured in Smyrna, Tennessee, in order to avoid compromising availability of sedans for consumer sales through dealers.

According to Ray Barnett, Nissan's fleet sales and leasing manager, "The growing fleet demand for compact trucks (less than 6,000 lb.) will be well met by our small Nissan truck, which features a standard 2.4 liter, four cylinder engine with plenty of power, torque and fuel economy. In fact, it's the largest standard engine available in the compact truck category."

Volkswagen

Only active in the U.S. fleet market during the past two years, it now has stepped up its efforts considerably. "We know we can't break in overnight," says William F. Fields, fleet sales operations manager for Volkswagen of America, "but the word *is* getting out among fleet administrators and dealers are starting to take advantage of fleet sales opportunities. We can see that by the fact that our fleet sales are up more than 22% this year."

Volkswagen's fleet-footed Rabbit, made in Pennsylvania

Fields notes that for the first time Volkswagen gave preliminary, protected prices for 1984 fleet cars in July (until '84 prices were firm) so fleet managers could budget and place timely orders. In addition, it announced a guaranteed residual program and offered no-cost options as a further inducement.

Peugeot

Its earliest fleet success and exposure was in taxi sales, with approximately 1,000 of its 504 and 604 diesel-powered models in use in New York City, probably the severest proving ground of all. However, John Kubernat, Peugeot's New York zone manager notes that diesel demand has abated throughout the line and about 80% of Peugeot sales—fleet and consumer—are now gasoline engine models.

For 1984, Peugeot will introduce a new 505 station wagon as well as the 604 four-door, five passenger sedan—both luxury models with expected fleet appeal for executive use and certain professional sales applications.

Toyota

The company claims that it is now the best selling import in U.S. fleets. However, like Nissan, Toyota is shifting emphasis from its subcompact sedans and hatchbacks to compact trucks for fleet applications. According to Al Hagen, vice president of sales, the move is in response to the growing market for downsized trucks (a market that is now dominated by Chevrolet's S-10, GMC's S-15 and Ford's Ranger pickups), as well as the volume restrictions on imported Japanese sedans.

Toyota is offering 18 models in its truck line for 1984, including long and short bed pickups (cargo beds made in the U.S.), four wheel drive vehicles and special chassis types to accommodate custom bodies for specialized needs.

While the preceding manufacturer's overview doesn't present *all* of the possible vehicle choices facing fleet administrators it serves to demonstrate the complexity of the selection process. For more information, refer to the fleet guides listed on page 131.

Hold Them or Fold Them?

In the game of cars, replacement timing is one of the key elements in fleet cost control. Methods and formulae vary from company to company, and while there's a current trend toward longer retention cycles, fleet administrators have to continually weigh the consequences of extended replacement in view of the company's needs.

PH&H, a leading fleet leasing/management firm, suggests examining what it calls the "total cost environment," which includes consideration of new car prices, used car prices, interest rates on new cars, interest rates on cars to be replaced, investment tax credit laws, fuel costs and maintenance costs, as well as the intangibles of morale, corporate image and safety.

PH&H now recommends 36 months and 55-to-60,000 miles, but will vary the cycle to meet changing conditions. For instance, the company recommended four years and 80,000 miles during the 1973–74 oil embargo, when the used car market was weak and, though maintenance costs would be higher with the older cars, studies showed that holding costs would be lower overall. On the other hand, the firm recommended accelerated replacement in 1981 to take advantage of lower capitalized costs, manufacturer rebates and good car availability.

McCullagh Leasing varies its cycles from 24 months or 25,000 miles for top-of-the-line executive vehicles to the currently accepted 3 years/55,000 miles for standard fleet cars. Says McCullagh vice president, William Wise, "What you're after in any case is a cycle that provides the lowest cost, yet still accomplishes the primary corporate need, whether that be reliability, low fuel consumption or image. And one company's replacement cycle may be totally inappropriate for another."

The operative word is "flexibility" and the company's ability to capitalize on market conditions; buy low, sell high.

Three Different Approaches

At NAFA's 1983 national conference, a panel on replacement cycling demonstrated the differences in company strategies. Texaco, for example, sets its policy at 3 years and 65,000 miles or "after being serviced for 100,000 miles, whichever comes sooner." The critical factors considered by Texaco are depreciation and interest, investment tax credit, downtime, fuel consumption and maintenance, including tires. Besides leading to its cycling policy, Texaco's studies of projected maintenance and tire cost versus mileage also led to the company's conclusion that four-cylinder, front wheel drive vehicles were the way to go and such cars now account for 80% of its fleet.

A totally different tack is used by Gerber Foods, which trades the bulk of its vehicles on a yearly basis, at an average 22,000 miles. Gerber trades in the fall, as close to new model introduction time as possible, taking advantage of factory incentives. The company buys and sells its cars through a carefully selected nationwide dealer network and has established a close working relationship over the years—the dealers being able to count on a steady supply of well-maintained vehicles.

Gerber claims the annual turnover leads to high driver morale and drastically reduces running expenses, noting that its cars have an average operating cost of 6.19¢ per mile, well below the national average of 7.16¢ per mile.

Warner-Lambert, a third panelist, follows the widely accepted pattern of 3 years/55,000 miles, but hasn't set its policy "in stone" and will make adjustments quickly as interest rates drop, cash or equipment incentives become available or vehicles are not performing up to standards. Undoubtedly, analyses can be made to support short or long cycles, depending on the fleet manager's philosophy, but any way one looks at the problem, the whole idea is not to dispose of vehicles too early, nor retain them past the point of no return.

Chevrolet's mid-size Celebrity wins friends among fleet administrators

The majority of fleets (62%) have policies based on a combination of time and mileage, according to Runzheimer's 1983/84 *Survey of Business Car Policies and Costs*, with the most common combination now in use being 36 months/60,000 miles (33%), though more than 25% of the sample set mileage limits at 70,000 miles or more.

What's right for your company? It all depends on your car criteria and, ultimately, the knowledge and "market feel" of your company fleet administrator. Whether he "holds them or folds them" can have a very significant effect on any bottom line. —J.F.C.

A Closer Look at Leasing

Leasing continues to post gains against outright purchase as a means of fleet car acquisition, with a relatively small percentage of companies preferring to reimburse drivers for use of their own cars for business. All three methods have their pros and cons.

In brief, companies that elect to own their fleets gain close control, but tie up capital while accumulating substantial administrative burdens that include tracking maintenance records and handling disposal.

Companies that reimburse drivers simplify administration and preserve capital, but lose a degree of control and reimbursement plans rarely satisfy drivers (though Runzheimer and Co. has developed an "Automobile Standard Costing" system that provides a monthly fixed amount, plus a per mile rate that is tailored to recognize geographical cost differences).

Leasing frees capital for other uses, keeps normal credit lines free and clear and also reduces the administrative load. However, it's usually a cost plus arrangement and the "plus" portion can become significant as ancillary services are added.

Despite the threat of a proposed Treasury Department regulation (LR-187-82) that would turn open-end leases, containing Terminal Rental Adjustment Clauses (TRAC), into conditional sales, and similar rumblings from the IRS, the auto leasing companies are stronger than ever. (With TRAC, if the used vehicle is sold at a lower price than the undepreciated book value, the lessee makes up the difference to the leasing company.)

A NAFA survey reports that of the companies who lease, 90% use the open-end finance type, with only 7% using closed-end net leases—where the lessor handles depreciation and lessee is responsible for maintenance and insurance—and 3% with full maintenance leases. The latter is sort of an insurance policy, covering any and all maintenance for a flat fee.

Computerized reporting systems, such as McCullagh Leasing's SAVE II, are key cost control tools for fleet managers

Says Jim Frank, president of Wheels, Inc., a leading leasing company, "The industry has put a great deal of pressure on Congress and the Treasury Department and I think they're listening to us and beginning to realize the complications in what they propose. For now, things are pretty quiet on their end and it's business as usual for us and better than ever. In the past year and a half, we've never seen so much movement of companies to vehicle leasing from ownership or various driver reimbursement programs."

(But if the Treasury Department *does* get its way, the lessee would then be entitled to cost recovery deductions and the investment tax credit.)

As to the spectre of new regulations and interpretations, Frank is optimistic, saying, "Whatever the rulings, I'm confident we'll continue to do well since—along with our competitors—we consider ourselves in the transportation services business. Certainly, the economics of a lease are important to us, but it's really the service end that carries our business. You can pick up the phone and, in effect, have an instant fleet department."

All of the major leasing companies offer a large menu of services, some included in the lease terms, others added at a fee. These include various computerized expense recording systems and maintenance data control. Most leasing/management firms will sell select services to a company whether it leases or owns its vehicles.

For example, McCullagh Leasing offers a new system called SAVE II (Summary and Analysis of Vehicle Expenses) that can generate a total of fifteen monthly reports for managers.

The company, a subsidiary of Control Data, plans to offer an on-line fleet management and planning system in 1984.

The wide array of capabilities and services doesn't make the selection of a leasing company a simple task. In the final analysis, whether to buy, lease, use a combination of both or reimburse drivers is a decision that should be carefully reevaluated on at least an annual basis. Especially with IRS and Treasury waiting in the wings. —J.F.C.

Trucks, Taxes, and Tribulation

Just when truck manufacturers appeared to be making good headway toward helping fleet managers reduce operating costs, they now face a major roadblock in the form of a hefty tax increase. At present, an operator of an 80,000 lb. over-the-road vehicle pays road use taxes into the Highway Trust Fund at the rate of $3.00 per thousand pounds annually, or $240. But less than a year from now, that will change drastically.

According to Joseph M. Normandy, executive assistant at the Private Truck Council of America, that amount will jump to $1,600 in July 1984 and escalate to $1,900 by July 1988. "And that's just the beginning," says Normandy, "because with things like registration tax, permit tax, new truck and trailer tax and lube/oil tax, you're going to end up paying from $2,500 to $4,000 per year for a single truck, and by 1988 that could be as high as $6,000.

Consequently, a big problem facing fleet managers is to somehow offset the burden of increased use taxes."

Normandy agrees that manufacturers have taken steps to improve efficiency, "but they have a long way to go and believe me, an extra tenth of a mile per gallon just won't do it." The truck and engine makers *are* keeping up the cost-cutting pressure, however, and there are some excellent examples. They include Detroit Diesel Allison's vastly improved "Fuel Pincher" engines, Ford's new F-8000 "Economy 200" truck that delivers up to 19% more miles per gallon than comparable vehicles—said to save its operators between $1,100 and $1,800 annually at its 7.84 highway mpg at 50,000 pounds—and GMC's cleverly streamlined Aero-Astro cab-over heavy duty tractor that can save up to 2,600 gallons of fuel per 100,000 miles.

So there *is* hope. But aside from waiting for new equipment developments, what else can the fleet manager do?

A major problem with private fleets and the first place to look for possible savings is the reduction of "dead head" miles, that is, riding back to the plant empty after a delivery. Says Normandy, "If a private carrier were allowed to 'trip lease'—contract to haul goods back from some other company—reducing dead head miles would be simple. However, the matter is tied up in the 11th Circuit Court in Atlanta, so for now 'trip leasing' is illegal.

"But a smart private carrier might get around this by applying for 'Toto Authority' from the ICC, which allows a carrier to be 'private' or 'for hire' as he chooses and the ICC is allowed only to see his records pertaining to the 'for hire' portion of the trip."

Apparently, the only solution today is for fleet managers to use every possible trick of the trade and legal loophole to trim costs and at least partially offset taxes. The answer might be found in the acquisition of new, fuel-efficient equipment, simply adding "spoilers" to existing vehicles for less wind resistance (this alone can lead to savings up to 1,200 gallons over 100,000 miles), reducing the size of the fleet and tightening schedules to make fewer deliveries.

Jack Rosenbaum, assistant managing director of the American Trucking Association's Private Carrier Conference, suggests additional ways to reduce the drag of deadhead miles: "The passage of the Motor Carrier Act of 1980 allows 'Compensated Intercorporate Hauling,' which means a private fleet can move goods without restriction between wholly-owned subsidiaries. Also, there are certain products [*viz.* dairy] that are exempt from the 'no trip lease' rule and several private fleets—Southland Corp., for example—are taking advantage of this exception. True, the fleet manager has to dig deep into the regulations, but he *can* come up with ways to get around the problem."

A more recent tactic, according to Rosenbaum, is to set up a wholly owned trucking subsidiary. Says Rosenbaum, "The subsidiary will have operating authority to serve outside shippers as well as its parent company. So with some creativity and planning, it's even possible to turn your company trucking operation into a profit center."

(*Editor's Note:* The effect of deregulation on the private trucking sector has been reviewed in a new study by the Wharton School for the Private Carrier Conference. To obtain a copy, see "Information, Please," page 131.)

Expanding on the subject of deadhead mileage, one that is obviously alive, well and top-of-mind with fleet managers, Joseph Normandy offers a short and simple guide to *getting out* of private trucking: "If someone involved in private carriage has around 20% of his mileage as deadhead, it's time to sit back and ask 'Why?' Why *are* you a private fleet and should you remain so? After all, a company is in private trucking because it provides an important service to its customers, but if the job can be done effectively by another source, it's well worth investigating."

Truck leasing is on the upswing. Its attendant advantages are much the same as in auto fleets: preserving capital, keeping lines of credit open for other uses, getting new, fuel-efficient equipment on a regular basis and—especially important for the smaller truck fleet—having the leasing firm act as your 'staff' in following ever-changing state rules, regulations, permit fees and the like, in addition to maintaining important computerized records.

"Where a company is leasing its trucks, we see a steady move away from the finance lease to full-maintenance leasing," says Kenneth F. Smith, general sales and marketing manager of Ford's Heavy Truck Operations, "and according to R. L. Polk data, the percentage of trucks sold to leasing companies rose from 16% in 1981 to 22% in 1983, and that trend is continuing."

The Ryder System, for example, will even lease drivers to fleets, greatly reducing yet another administrative burden. *But*, as to "single source" leasing of trucks and drivers from the same company, that, too, is at issue in the 11th Circuit Court and for now is a definite no-no for private fleets, as is the use of owner-operators.

Come January, the fog may lift and with any luck the court's decision could well make life easier for the beleaguered truck fleet manager.

But for now, all he can do is rely on his know-how to keep costs under control, while top management, viewing the state of private trucking, should ask, "Is this trip *really* necessary?" —J.F.C.

Case in Point: Hallmark Holds Its Own

The road that led Helen Bland to the top managerial slot as head of Hallmark's fleet of nearly 1,500 vehicles began at a secretary's desk—her own.

"I'd already been at Hallmark for many years as a secretary," she recalls, "when the company was just beginning to set up a fleet department and asked if I wanted to be part of it. I accepted, and after working there for six years, the head of the department left, and I got the job. I think starting at the bottom of the corporate ladder gave me a special focus on the intricacies of fleet management, and I try to pay close attention to every part of the operation."

Hallmark is one of a growing number of corporations that prefer to own their corporate vehicle fleets, rather than lease. Bland has looked hard at the question of leasing and found that owning was definitely in Hallmark's interest.

"We don't need a third party to handle the fleet," says Bland, "and economically it has always been to our advantage to own. Every year, we get a complete report from our financial people that analyzes the lease versus purchase question, and it's shown consistently that it's more economical for us to own our own fleet, operated in-house by our own fleet department."

The Hallmark fleet includes a mixture of mid-size Ford, Chevrolet and Dodge models for the sales force, with Olds, Buick, Pontiac and Ford models, such as the Thunderbird, serving Hallmark executives. "It's a rather conservative executive fleet," Bland concedes, "with no foreign cars."

Hallmark cars serve an average of three years or 55,000 miles. As in many fleet operations, used fleet cars are first offered for sale to employees that drove them. Obviously, such vehicles have a number of advantages over used cars from another source, chief being that they are a known quantity to their corporate drivers and have well-documented maintenance records. After Hallmark employees choose their favorites from the fleet, the remaining cars move on through such traditional outlets as dealers, auctions and brokers.

While Bland is adamant about large fleets practicing self-management, rather than contracting with outside agencies, the Hallmark fleet operation does use some outside help. She says, "We have a national account with Consolidated Services in Chicago for minor maintenance and tires, while another company in New York City—Salex—handles our major maintenance and accident repair. Drivers in the field are responsible for routine maintenance and are issued Consolidated coupon books for this; all other work done requires a purchase order.

New generation: Mercury Topaz features aerodynamic styling, front wheel drive

"Our sales people literally live in their cars, so we're sure to provide the important options like air conditioning, stereo, cruise control and tilt steering wheels. Ours is strictly a sales fleet. We don't have any heavy loads or big items to carry, so the mid-sized cars are comfortable and roomy enough for our drivers, who average 25,000 miles annually."

Bland notes that while fuel-efficient, front-wheel drive cars have answered many of the shortcomings of their gas-hungry predecessors, and are superlative in some ways, they can be real headaches in others.

Says Bland, "From my angle, I am not really impressed by the front-wheel drive cars, especially when I consider the cost of maintenance, though we are offering front-wheel drive cars to our sales force. I'm really not happy about it; but front-wheel drive is just about all you've got on the market right now.

"The alternative, I suppose, would be to go with a fleet entirely made up of Oldsmobile Cutlasses, for instance. Except, I don't really feel it's right to limit the drivers' choice to one car. So we make an attempt to make the choices —the selection list—as palatable as we possibly can."

With fuel prices stable, and in some cases receeding, there have been isolated signs of companies moving back to heavier cars. "I personally feel this is a mistake," Bland comments, "because I think another fuel crunch is inevitable, no question about it. Perhaps within the next five years . . . maybe sooner. As for Hallmark, we're staying in the intermediate size range."

As incoming president of the National Association of Fleet Administrators (NAFA) Bland is understandably an ardent advocate about its work: "I don't know how any fleet manager can effectively manage a company fleet without NAFA because it offers valuable information interchange and help."

(For NAFA information, see Information, Please, page 131.) —B.W.

Van Pooling Progress Continues

Despite employee layoffs and a world-wide oil glut, the transport of commuting workers in van pools has continued to show a healthy growth. The National Association of Van Pool Operators (NAVPO) lists over 500 members, both corporations and private van pool operators, with some 23,000 vans in daily operation.

We've seen a fairly steady growth rate in the past year," comments NAVPO director Ed Marks, "but growth has not been as fast as we had hoped. A lot of companies have had hard times and laid off employees. This cuts into the ridership. On top of this, gas prices have been fairly stable, so a lot of the impetus for van pooling has been lost."

While the mechanics of van pooling vary from operator to operator, the basic concept is little different from car pools. Commuting employees living in nearby neighborhoods are picked up every morning by a comfortably-appointed van. Generally, the employer carries the administrative costs of the van pool program, while the van's operating expenses are divided among the riders. Drivers, also commuting employees, either ride free or are given a mileage allowance for personal use.

Van pooling employees save everyday wear and tear on personal cars, arriving at work relaxed and ready for the day's work. Commuting costs are cut dramatically and the van takes on the aura of a company "perk," though the employees themselves pay for it.

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Despite the economic slowdown, an estimated 276,000 people van pool to work daily, according to NAVPO figures. Other numbers from NAVPO indicate a 40% increase in van pool operators since *1981*, while a 1983–84 Runzheimer analysis of business vehicle policies and costs confirms this upward trend, with 13% of respondent companies now operating van pools, up from 10% in 1982 and 5% in 1980. Van pool operations range from small, single-van, employee-managed operations, to Prudential Insurance's 464-van fleet, biggest in the industry.

Van pooling isn't restricted just to company operations. Witness the success of Metropool, which serves riders in Westchester County, New York and Fairfield County, Connecticut. It is an excellent example of a working partnership of public and private sectors, partially funded by Federal Highway funds funneled through the two states' Departments of Transportation along with sponsorship of the major area corporations.

Metropool is equipped with more than 100 Chrysler vans that carry from 8-to-15 passengers and serve approximately 1,300 daily commuters and 150 area companies. In addition, as a complete ridesharing service, the Stamford, Connecticut-based company "matches" carpoolers and handles more than 1,200 commuters that way. Metropool is currently running a pilot van pooling program between Connecticut and the five boroughs of New York and reports high interest from New York companies that are relocating to Connecticut.

If an idea makes good business sense, there's usually an entrepreneur ready and willing to sell that idea to corporations. Van pooling makes good business sense for many firms, and an emerging body of companies offering to manage and oversee van pool operations for client companies is providing alternatives to traditional van pool management techniques.

One of the best known is Van Pool Services, a subsidiary of Chrysler Corp., although there are several others. For a fee, these service companies assume day-to-day management responsibilities and reduce a client's share of the van pool operation down to a simple regular payment.

Such management companies are said to be flourishing, according to NAVPO's Ed Marks, and moving into smaller van pool operations, such as those involving less than three vehicles. While it might not be in a corporation's interest to dedicate staff to manage such a small van pooling operation, a number of them add up to a profitable operation for a van pool management firm. —B.W.

RIDESHARE
INFO
324 - 6700

Connecticut supports ridesharing through signs posted on major roads.